#### HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING AUGUST 28, 2013 APPLICATION SUMMARY

NAME OF PROJECT:

Blount Memorial Hospital, Incorporated

PROJECT NUMBER:

CN1305-015

ADDRESS:

266 Joule Street

Alcoa (Blount County), Tennessee 37701

LEGAL OWNER:

Blount Memorial Hospital

907 E. Lamar Alexander Parkway

Maryville (Blount County), Tennessee 37804

**OPERATING ENTITY:** 

Not Applicable

CONTACT PERSON:

Jane Nelson

(865) 981-2310

**DATE FILED:** 

May 7, 2013

PROJECT COST:

\$2,214,216

**FINANCING:** 

Cash Reserves

**PURPOSE OF REVIEW:** Relocation of a Magnetic Resonance Imaging (MRI)

System

#### **DESCRIPTION:**

This application is for the relocation of the MRI service only because the replacement of existing equipment that improves the quality or cost effectiveness is permitted under TCA § 68-11-1607. This relocation would consolidate most diagnostic outpatient services at one site including MRI and CT. The MRI scanner is one of three operated in Blount County and the only one in Alcoa.

Blount Memorial Hospital in Maryville, Tennessee is seeking approval to relocate the existing outpatient MRI scanner it operates in Alcoa (Blount County), TN from Springbrook Health Center, 220 Associates Boulevard to the East TN Medical Group (ETMG) building it owns at 266 Joule Street, a distance

of 1.6 miles. Historical information regarding both sites is provided on page 3 of the staff summary.

If the relocation is approved, the existing 1.5T MRI at the Springbrook Health Center will be removed and Blount Memorial will surrender its CON to provide services at that site. A new 3T MRI system will be purchased and installed in renovated space at the ETMG site. MRI services are projected to be available in June 2014.

#### SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

The following apply:

For relocation or replacement of an existing licensed health care institution:

a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The applicant considered the following options:

- Upgrade MRI scanner at Springbrook-Upgrading the current 1.5T MRI would cost \$700,000 and would not result in an increase in bore size or table weight capacity. Diagnostic services would not be consolidated.
- Move existing MRI service to ETMG site- This would consolidate all diagnostic equipment at one location which would avoid the duplication of radiology staff since the applicant would not staff two (2) separate sites. It would not increase MRI bore size or table weight capacity.
- Relocate MRI service and upgrade scanner-Upgrading to a 3T wider bore scanner would permit obese (up to 500 lbs.) and claustrophobic patients to be scanned. The relocation would permit consolidation of diagnostic services which would decrease costs in supplies and staffing by three (3) positions. Cost savings are estimated to be \$375,421 in Year One and \$212,450 in Year Two. Page 9 of the original application provides more detail.

It appears that this criterion has been met.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The applicant reports the following:

- Springbrook MRI Historical utilization 2010-2,385 procedures; 2011-2,370 procedures; 2012-2,493 procedures
- Projected MRI utilization at ETMG: Year One- 2,543 procedures; Year Two- 2,594

It appears that this criterion <u>has been met</u>.

**Summary:** 

The applicant proposes to move their existing MRI unit from their "Springbrook" location at 220 Associate Boulevard, Alcoa (Blount County), TN. The Springbrook location includes Outpatient Rehabilitation Services, an Occupational Medicine Clinic, a Family Practice Clinic, a Pediatric Practice and a Wellness Facility. The new proposed MRI site referred to as the "East Tennessee Medical Group" (ETMG) location is at 266 Joule Street, Alcoa (Blount County), TN. The site is owned by Blount Memorial Hospital and contains a physician practice of thirty-eight physicians, a walk-in clinic and existing CT, Ultrasound, Nuclear Medicine and x-ray equipment. The group currently includes the following specialties: Family Practice, Internal Medicine, Gynecology, Pulmonary, Neurology, Cardiology, Rheumatology, Oncology, General Surgery and Vascular Surgery.

#### Historical Information

On October 26, 2012 Blount Memorial Hospital purchased the Joule Street building owned by physicians of the East Tennessee Medical Group, P.C.

The physician's group had previously filed a Certificate of Need application (CN0910-051D) for the initiation of MRI services and the acquisition of a 1.5T MRI to be located at 266 Joule Street, Alcoa (Blount County) that was heard at the March 24, 2010 Agency meeting. The application was denied by the agency because it did not meet statutory criteria. At that time, Blount County MRI providers were operating at 125.6% of the Guidelines for Growth utilization standard of 2,200 procedures per year. In 2008, a total of 8,291 MRI procedures were provided in Blount County. Note to Agency Members: The HSDA Medical Equipment Registry indicates there were 8,605 MRI procedures provided in Blount County in 2012.

#### Need

Blount Memorial Hospital indicates the MRI should be relocated for the following reasons:

- Blount Memorial Hospital offers bariatric surgery as part of the hospital's weight management program and needs the increase in table capacity from 350 lbs. to 500 lbs. provided by the 3T MRI for MRI patient scans. The applicant sends approximately seven patients per month to other MRI providers due to the existing MRI weight limits
- The proposed 3T MRI system offers the latest technology available and increases the bore size from 60 cm to 70 cm for claustrophobic patients. The applicant sends approximately eight patients per month to other sites due to claustrophobia.
- The new scanner includes lighting within the bore and patient cooling for patient comfort

#### Ownership

Blount Memorial Hospital is a not-for-profit acute care hospital owned by Blount County, Tennessee chartered in 1946. The hospital is self-managed and is not part of a health network or health alliance.

#### **Facility Information**

- The total square footage of the MRI space, the control room, and the renovated waiting area is 882 square feet. A floor plan drawing is included in Attachment B.IV.—Floor Plan.
- The clinic's operating hours at the relocated site will be 8:00 am to 5:00 pm., Monday-Friday.

#### **Equipment**

Blount Memorial Hospital intends to purchase a FDA (Food and Drug Administration) approved GE Discovery MR750w 3T MRI scanner from GE Healthcare at a cost of \$1,747,195. The expected useful life is eight years.

If approved, the existing 1.5T MRI will be returned to the manufacturer. The cost of removing the MRI from the current Springbrook location is \$42,000. The advantages of a 3T MRI include:

- Higher field strength and improved image quality
- Faster scan time and improved contrast
- Fewer referrals to Knoxville for use of 3T wide bore MRI services.

#### Service Area Demographics

Blount Memorial Hospital's declared service area is Blount County.

- The total population of Blount County is estimated at 126,809 residents in calendar year (CY) 2013 increasing by approximately 5.2% to 133,389 residents in CY 2017.
- The overall statewide population is projected to grow by 3.7% from 2013 to 2017.
- The latest 2013 percentage of the Blount County population enrolled in the TennCare program is approximately 14.6%, as compared to the statewide enrollment proportion of 18.4%.

#### Historical and Projected Utilization

The utilization table below reflects the following:

• There was a +4.5 increase in MRI utilization at Blount Memorial from 2010 to 2012

#### Blount County Hospital Springbrook Diagnostic Center Historical and Projected MRI Utilization

Provider	# of MRI's	2010	2011	2012	Standard Met 2012	% Change 2010-2012	Year One	Year Two
Blount Memorial	1	2,385	2,370	2,493	No	+4.5%	2,543	2,594
Hospital								
Springbrook ODC								

Source: Medical Equipment Registry

AA4A AA-	
	17
2010-201	

Facility	Provider Type	Number of Units	Proc 2010	Proc. 2011	Proc. 2012	% change 2010- 2012
Blount Memorial Hospital	Н	1	5,287	5,551	5,257	5%
Blount Memorial Springbrook Diagnostic Center	HODC	1	2,385	2,370	2,493	+4.5%
OrthoTennessee Imaging/Maryvi lle Orthopaedic	PO	1	835	932	855	+2.4%
Area Average		3	8,507	8,853	8,605	+1.2%

Source: HSDA Equipment Registry

The above utilization table reflects the following:

 MRI utilization in Blount County has relatively remained stable from 2010 to 2012

#### Referrals

Based on historical patterns, the applicant expects the majority of MRI referrals in Year One from the following specialties:

- 35.4%, or 899 referrals will come from Family Practice
- 21.4%, or 545 referrals from Internal Medicine
- 19.2%, or 487 referrals from Neurology
- 10.4%, or 265 referrals from Orthopedics

#### Staffing

The staffing pattern will be unchanged at the new proposed location. The applicant's proposed direct patient care staffing in Year One includes the following:

- One (1) FTE MRI Technologist and
- .5 FTE Technologist Aide, and a
- .5 FTE Patient Access Associate

#### Medicare/TennCare Payor Mix

 TennCare- Charges will equal \$147,376 in Year One representing 7.7% of total net revenue

 Medicare- Charges will equal \$548,583 in Year One representing 28.6% of total net revenue

#### **Projected Data Chart**

The applicant projects \$7,679,860.00 in total gross revenue on 2,543 MRI procedures during the first year of operation and \$8,132,190 on 2,594 MRI procedures in Year Two (approximately \$3,133 per procedure). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$1,193,833 in Year One decreasing to \$903,965 in Year Two.
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$1,789,082 or approximately 22% of total gross revenue in Year Two.
- Charity care at approximately 5.3% of total gross revenue in Year One and 5.5% in Year Two equaling to \$403,193 and \$444,018, respectively.
- Charity Care calculates to 133.5 procedures per year.

#### Charges

In Year One of the proposed project, the average MRI charges are as follows:

- The proposed average gross MRI charge is \$3,020/procedure in 2014 (increase of \$23 from the 2012 charge)
- The average deduction is \$2,265/procedure, producing an average net medical imaging charge of \$755/procedure.

The average gross charge per procedure for MRI at the four existing MRI providers in Blount County is presented in the table on the following page.

Average MRI Charges/Procedure Blount County 2012

Facility	Provider	Number of	Total	<b>Total Gross</b>	Gross Charge
	Type	Units	Procedures	Charges	per Procedure
Blount Memorial	H	1	5,257	\$15,758,140	\$2,998
Hospital					
Blount Memorial	HODC	1	2,493	\$7,471,521	\$2,997
Springbrook					
Diagnostic Center					
OrthoTennessee	PO	1	855	820,214	\$959
Imaging/Maryville					
Orthopaedic					
Area Average		3	8,605	\$24,049,875	\$2,795

Source: HSDA Equipment Registry

# State of Tennessee Gross Charges per Procedure/Treatment By Quartiles YEAR = 2012

Equipment Type	1st Quartile	Median	3rd Quartile
MRI	\$888.00	\$1,735	\$2,681

Source: HSDA Equipment Registry

• As reflected in the table above, the applicant's proposed average gross MRI charge of \$3,020 in 2014 is above the 3<sup>rd</sup> quartile 2012 statewide average charge of \$2,681.

#### Historical Data Chart

- Blount Memorial Hospital reported a net operating income of \$1,456,751 in its 2012 fiscal year period, a margin of approximately 20.8% of gross operating revenues
- Gross Operating Revenue was reported as \$6,198,868 in 2010, \$6,401,918 in 2011 and \$6,987,879 in 2012.

#### **Project Cost**

Major costs are:

- Equipment, \$1,747,195, or 78.9% of the total cost
- Construction, \$291,083 or 15.6% of total cost
- For other details on Project Cost, see the Project Cost Chart on page 19a of the application

The cost for the renovated area is \$469 per square foot. As reflected in the table below, the renovated construction cost is above the 3<sup>rd</sup> quartile of \$249 per square foot of statewide hospital renovated construction projects from 2010 to 2012.

#### Statewide Hospital Construction Cost Per Square Foot Years 2010-2012

	Renovated	New	Total
	Construction	Construction	construction
1st Quartile	\$99/sq. ft.	\$235/sq. ft.	\$168/sq. ft.
Median	\$178/sq. ft.	\$260/sq. ft.	\$235/sq. ft.
3rd Quartile	\$249/sq. ft.	\$308/sq. ft.	\$275/sq. ft.

#### **Financing**

A May 1, 2013 letter from Blount Memorial Hospital Assistant Administrator and Chief Financial Officer David Avriett attests that the applicant has sufficient cash assets to implement the project.

The applicant's audited financial statements for the period ending June 30, 2012 indicates \$4,480,033 in cash and cash equivalents, total current assets of \$28,185,497, total current liabilities of \$21,580,692 and a current ratio of 1.30:1. Source: <a href="http://www.comptroller.tn.gov/repository/CA/2012/571-2012-Blount%20Hospital-rpt-cpa100.pdf">http://www.comptroller.tn.gov/repository/CA/2012/571-2012-Blount%20Hospital-rpt-cpa100.pdf</a>

Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

#### Licensure/Accreditation

Blount Memorial Hospital is licensed by the Tennessee Department of Health and Joint Commission accredited with a Certificate of Distinction for Stroke. The Joint Commission accreditation is effective until October 27, 2015.

Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in three years.

#### CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

### CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

#### **Denied Applications**

East Tennessee Medical Group, P.C., CN0910-051D, had an application denied at the March 24, 2010 Agency meeting for the initiation of magnetic resonance imaging (MRI) services and acquisition of a 1.5T wide-bore magnetic resonance

imaging (MRI) scanner to be located at 266 Joule Street, Alcoa (Blount County), TN 37203. The estimated project cost was \$3,047,664.00. Reason for Denial: The application was denied by the agency because it did not meet statutory criteria.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME 8/3/13

## LETTER OF INTENT



## LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY 16

The Publication of Intent is to be published in the _	The Daily Tim	nes	which is a news	spaper
of general circulation in Blount County	(Name of Ne , Tennes	ewspaper) see, on or before M	lay 3,	2013
for one day. (County)		-	(Month / day)	(Year)
This is to provide official notice to the Health Se accordance with T.C.A. § 68-11-1601 et seq., ar	ervices and Devend the Rules of	elopment Agency a	and all interested and Developmer	parties, in it Agency,
Blount Memorial Hospital, Incorporated		Hospital		
(Name of Applicant)		(Facility Type-	Existing)	
owned by: Blount Memorial Hospital, Incorpora	ated with an ov	wnership type of no		tion
and to be managed by: Blount Memorial Hospita	PER STATE OF THE S	o file an application		
for [PROJECT DESCRIPTION BEGINS HERE]:				
Associates Blvd. Alcoa, TN to Blount Memorial's East TN Medical Group site to existing MRI will be replaced with a 3-T system that provides the latest technola table weight capability from 350 pounds to 500 pounds. Moving the MRI to Blo combining it with other diagnostic equipment located at the site. The total cost renovation at the Blount Memorial East TN Medical Group site to accommodate the state of the state	ogy available, and provident Memorial's East TN of the project including rother new MRI, including Communications of the new MRI, including Communications of th	les an increase in the bore size Medical Group location we ach emoval of the existing MRI, the CON fee is expected to be \$2,21	from 80 cm to 70 cm and inc eve greater efficiency in ope gurchase price of the new M	creases the
The anticipated date of filing the application is: W	ednesday, Ma	ay 8, 20 13		
The contact person for this project is Jane Nelso	n		Assistant Admin	istrator
	(Contact Name)		(Title)	
who may be reached at: Blount Memorial Hosp (Company Name)	oital	907 E. Lamar A (Address)	lexander Parkwa	ay
Maryville	378		65-981-2310	X
(City) (State)	The state of the s	(Zip Code)	(Area Code / Phone Nu	mber)
(Signature)	April 30	JN (2013)	elson@bmnet.co (E-mail Address)	om
The Letter of Intent must be filed in triplicate and re	eceived betwee	n the first and the t	enth day of the mo	onth. If the

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency The Frost Building, Third Floor 161 Rosa L. Parks Boulevard Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

# COPY-Application

# Blount Memorial Hospital, Inc.

CN1305-015

#### Section A:

#### Section A, Item 3:

Response:

Blount Memorial Hospital's Charter of Incorporation is contained in Appendix A-3.

#### Section A, Item 4:

Response:

Blount Memorial Hospital, Incorporated, will own and operate the proposed re-located and upgraded MRI. There is no other ownership involved with the proposed upgraded MRI.

#### Section A, Item 6:

Response:

The Warranty Deed for the property at 266 Joule Street, Alcoa, TN 37701 (the proposed re-location for the MRI), is contained in Appendix A-6. The Corporate Charter is provided in Appendix A-3.

#### Section A, Item 13:

Response:

Blount Memorial Hospital participates in all TennCare MCO's that operate in our service area including:

Blue Cross/Blue Care

Cover TN

**Cover TN for Kids** 

**TennCare Select** 

United Healthcare's Community Health Plan

While we don't participate in plans that operate outside our service area, we have negotiated single case agreements with the applicable MCO when we have provided service for TennCare recipients who reside outside our service area.

1.	Name of Facility, Agency, or Institution
	Name 266 Joule Street Street or Route Alcoa City  Blount TN State  Blount County 37701 State Zip Code
2.	Contact Person Available for Responses to Questions
	Jane Nelson Assistant Administrator
	Name Title Blount Memorial Hospital JNelson@bmnet.com
	Company Name Email address
	907 E. Lamar Alexander Parkway Maryville TN 37804 Street or Route City State Zip Code
	Employee 865-981-2310 865-981-2333 Association with Owner Phone Number Fax Number
3.	Owner of the Facility, Agency or Institution
	Blount Memorial Hospital, Incorporated 865-981-2310
	Name Phone Number  907 E. Lamar Alexander Parkway Blount
	Street or Route County
	Maryville TN 37804 City State Zip Code
4.	Type of Ownership of Control (Check One)
	A. Sole Proprietorship B. Partnership C. Limited Partnership D. Corporation (For Profit) E. Corporation (Not-for-Profit)  F. Government (State of TN or Political Subdivision)  Joint Venture Limited Liability Company Other (Specify)

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5.	Name of Management/Operating Entity (If Applicable)						
	No	t Applicable		NT C	ROUGH TO THE RESIDENCE OF THE PARTY OF THE P		
		ame					
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	Sti	reet or Route		Construction of the Constr	County		
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	PU	JT ALL ATTACHMENTS AT TH	4E END	OF	THE APPLICATION IN ORDE	EB VND	
	RE	FERENCE THE APPLICABLE IT	EM NUM	BER	ON ALL ATTACHMENTS.	IN AID	
6.	<u>Le</u>	gal Interest in the Site of the Ins	titution (	Chec	k One)		
	A.	Ownership	1	D.			
	В. С.	Option to Purchase		E.		100	
	C.	Lease of Years	70.000				
	PU	T ALL ATTACHMENTS AT TH	E DACK	OF	THE ARRIVATION IN ORDE	D AND	
	RE	FERENCE THE APPLICABLE IT	E BACK	BER :	ON ALL ATTACHMENTS.	R AND	
7,	Typ	oe of Institution (Check as appr	opriate	more	than one response may apply	r)	
	A.	Hospital (Specify) Acute care facility	·	1.	Nursing Home	, BONNESS	
	B.	Ambulatory Surgical Treatment		J.	Outpatient Diagnostic Center	125025	
	C.	Center (ASTC), Multi-Specialty	1000	K.	Recuperation Center		
	D.	ASTC, Single Specialty Home Health Agency		L. M.	Rehabilitation Facility Residential Hospice		
	E.	Hospice	REAL PROPERTY.	N.	Non-Residential Methadone	3 3-233	
	F.	Mental Health Hospital			Facility		
	G.	Mental Health Residential		Ο.	Birthing Center	1000/2	
	Н.	Treatment Facility Mental Retardation Institutional	BOY SE	Р.	Other Outpatient Facility		
	• • • •	Habilitation Facility (ICF/MR)	MANY SERVER	Q.	(Specify) re-location of outpatient MRI Other (Specify)		
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υ.	_	pose of Review (Check) as appr	opriate	more	e than one response may apply	V)	
	A. B.	New Institution	110000	G.	Change in Bed Complement		
	C.	Replacement/Existing Facility Modification/Existing Facility	DESCRIPTION OF THE PROPERTY OF		[Please note the type of change		
	D.	Initiation of Health Care			by underlining the appropriate response: Increase, Decrease,		
		Service as defined in TCA §			Designation, Distribution,		
		68-11-16 <u>07(4)</u>	.2		Conversion, Relocation]	Mer :	
	_	(Specify)		H.	Change of Location	<b>1</b>	
	E, F.	Discontinuance of OB Services		$I_{\vec{S}}$	Other (Specify)	1	
		Acquisition of Equipment			Replacement of outpatient MRI 4 re-	ocation	

9.	Bed Complement Data  Please indicate current and proposed distribution and certification of facility beds.							
9.	_	ease indicate current and pro	posed dis	10 03 Carrent Licensed 157 94 12 25	Beds	Staffed Beds 90 64 12 17 8	Beds Proposed	TOTAL Beds at Completion  157  144  12  25  8
	L. M. N.	Nursing Facility (non-Medicaid Nursing Facility Level 1 (Medi Nursing Facility Level 2 (Medi	caid only)	76		76		76
	O. P. Q. R. S. T. U.	Nursing Facility Level 2 (dually certified Medicaid/Medicaid/ICF/MR Adult Chemical Dependency Child and Adolescent Chemical Dependency Swing Beds Mental Health Residential Transcidential Hospice TOTAL *CON-Beds approved but not yet	cal eatment	8		8		8 380
10.	N	ledicare Provider Number Certification Type	440011 Hospital		tro a Tillo			
11.	N	ledicaid Provider Number Certification Type	0440011 Hospital					
12.	If	this is a new facility, will ce	rtification	be sough	t for Med	icare and	/or Medica	id? N/A
13.	(/ ti ic	Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.						
	D	iscuss any out-of-network r	elationshi	ips in plac	e with Mo	COs/BHO	s in the are	a.

**NOTE:** Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

#### SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8  $\frac{1}{2}$ " x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost funding, financial feasibility and staffing.

#### Response:

Blount Memorial Hospital is seeking approval to provide an upgrade to its existing MRI that serves an outpatient population located at 220 Associates Boulevard, Alcoa, TN 37701 and re-locate it to 266 Joule Street, Alcoa, TN 37701, 1.6 miles away. By re-locating the MRI to the Joule Street location, we can consolidate our outpatient diagnostic services and achieve improved efficiencies in our operation rather than operating two diagnostic sites that are 1.6 miles away from each other. Blount Memorial owns the 266 Joule Street building that contains thirty-eight physician practices with existing CT and x-ray equipment. By moving the MRI to this location we can eliminate duplicate CT and x-ray equipment currently at the Springbrook site and achieve efficiencies by combining staff and in some cases, reducing staff.

The proposed upgraded MRI is a 3T, wide bore MRI that provides the latest technology available for MRI services, and provides a wide bore (our current MRI bore size is 60 cm and the proposed 3T is 70 cm) and increased table weight capacity from the existing 350 pound limit to 500 pounds. Blount Memorial Hospital is a Bariatric Center of Excellence and we need the capability to provide MRI for this size population. We turn down at least seven patients a month who need greater weight capacity or increased bore width. In addition, this model helps with patients who experience claustrophobia. While medication does help with claustrophobia, we still find that on average, eight patients a month are not

able to complete their exam due to claustrophobia. The total cost for the project without the CON fee is projected to be \$2,209,245, and with the CON fee is \$2,214,216.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.
  - Α. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 eq. seg.) including square footage, major operational areas, configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost Per Square Utilizing the attached Chart, applicants with hospital Footage Chart. projects should complete Parts A-E by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

#### Response:

The proposed upgraded MRI 3-T, wide-bore system will fit into existing space at the proposed re-located site at 266 Joule Street. The total square footage of the MRI space, the control room and the renovated wait area is 882 square feet. When East Tennessee Medical Group owned the building, they had intended to place MRI in the building, but were not successful in obtaining a CON. The walls will require copper infrastructure to protect the equipment and the areas external to the room, a control room, and renovation of an area to provide a wait area for patients. The cost associated with this is \$347,000. We have already affirmed that the flooring at the ETMG location meets the weight bearing requirements of the magnet and associated equipment. Additionally, the building was constructed with a knock out wall specifically for this purpose. There would be no interruption of service associated with the re-location as we would not shut down the MRI currently at Springbrook until the new MRI was operational at Joule Street. The existing MRI will be turned in to the manufacturer at that time. The cost of removing the MRI at Springbrook is anticipated to be \$42,000. The cost per square foot for the renovated area at the proposed new location, including architect/engineering fees and contingency construction dollars is \$899.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

#### Response:

Not Applicable.

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):
  - 1. Adult Psychiatric Services
  - 2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
  - 3. Birthing Center
  - 4. Burn Units
  - 5. Cardiac Catheterization Services
  - 6. Child and Adolescent Psychiatric Services
  - 7. Extracorporeal Lithotripsy
  - 8. Home Health Services
  - 9. Hospice Services
  - 10. Residential Hospice
  - 11. ICF/MR Services
  - 12. Long-Term Care Services
  - 13. Magnetic Resonance Imaging (MRI)
  - 14. Mental Health Residential Treatment
  - 15. Neonatal Intensive Care Unit
  - 16. Non-Residential Methadone Treatment Centers
  - 17. Open Heart Surgery
  - 18. Positron Emission Tomography
  - 19. Radiation Therapy/Linear Accelerator
  - 20. Rehabilitation Services
  - 21. Swing Beds

#### Response:

Blount Memorial has provided MRI services at its Springbrook location since 2005. We are not seeking an additional MRI, rather we are proposing to trade in the existing MRI and upgrade the MRI to a 3T, wide bore MRI and move it 1.6 miles to an existing site along with other diagnostic equipment located at 266 Joule Street, Alcoa, TN 37701. The 3-T system provides the latest technology available, and increases the bore size from 60 cm to 70 cm, and the table capacity from 350 pounds to 500 pounds. Additionally, the new design of the

scanner includes lighting within the bore and a patient cooling system that will contribute to patient comfort. Blount Memorial Hospital is a Center of Excellence in Bariatric Service and we find that we are sending approximately seven patients away per month because of the weight limit of the existing MRI equipment. In addition, the large bore MRI will assist with patients who experience claustrophobia. While a large percent of these patients are successfully pre-medicated, we send approximately eight patients per month to other sites dues to claustrophobia. Given the age of the existing MRI and the advantages of the 3-T for our patient population, it was reasonable to replace the existing equipment as part of the move.

By moving the equipment, the MRI will be located with other diagnostic equipment (CT, Ultrasound, Nuclear Medicine and X-ray) and avoid duplication of equipment at sites that are 1.6 miles apart. While existing staff will be utilized, we can also decrease our FTE's by 3.0 positions due to consolidation, and reduce duplicate supply expense and service expense.

The volume of MRI cases at the Springbrook site was 2,370 in 2011, and 2,493 in 2012.

D. Describe the need to change location or replace an existing facility.

#### Response:

As indicated above, by moving the MRI to the East TN Medical Group location we can combine it with other existing diagnostic equipment at that location and avoid duplication of outpatient diagnostic services. Since the existing Springbrook location is only 1.6 miles away from the proposed site, we do not anticipate any inconvenience for patients, and allows the hospital to save manpower, supply cost and service contract cost. The estimated savings in the first year after the move is \$375,421 in operational costs and \$212,450 in year two after implementation. The breakdown in savings is as follows:

Year 1:	Cost Savings
Elimination of service contract and	
After hours service/supplies	\$ 260,605
Staff savings	\$ 114,816
TOTAL	\$ 375,421
Year 2:	Cost Savings
Elimination of after hours/supplies	\$ 97,634
Staff savings	\$ 114,816
TOTAL	\$ 212,450

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of

- \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:
- 1. For fixed-site major medical equipment (not replacing existing equipment):
  - a. Describe the new equipment, including:
    - 1. Total cost; (as defined by Agency Rule)
    - 2. Expected useful life;
    - 3. List of clinical applications to be provided; and
    - Documentation of FDA approval.
  - b. Provide current and proposed schedules of operations.
- 2. For mobile major medical equipment:
  - a. List all sites that will be served;
  - b. Provide current and/or proposed schedule of operations;
  - c. Provide the lease or contract cost;
  - d. Provide the fair market.value of the equipment; and
  - e. List the owner for the equipment.
- 3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.). In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

#### Response:

Blount Memorial Hospital is proposing to replace its existing 1.5T MRI with bore size of 60 cm, weight limit of 350 pounds and technology level of 2004 with a 3-T MRI with 70 cm bore size, weight capacity of 500 pounds and offering the state-of-the art technology in MRI services. We would expect to have a minimum of eight years expected useful life of the 3-T MRI. We expect to provide the same scope of MRI services with the new 3-T, but with improved advantages including (1) higher

field strength and improved image quality; (2) faster scan times, hence probability of less patient motion hence contributing to better quality exams; (3) decrease use of IV contract and thus less chance for patient allergic reactions, and (4) less referrals to Knoxville to obtain use of a 3-T wide bore MRI.

The total cost of replacing the existing MRI and moving it to the Joule Street location is estimated to be \$2,209,245. The cost breakdown is as follows:

<u>Item</u>	Cost
Replacement MRI	\$1,747,195
Remove & trade-in Existing MRI	
From Springbrook location	\$ 42,000
Architect/Engineering fee	\$ 32,000
Construction at new MRI site	\$ 347,000
Contingency for construction	\$ 35,000
Vibration testing at new site	\$ 6,0 <u>50</u>
TOTAL	\$2,209,245

A quote for the MRI equipment is provided in Appendix B - E - 3 (a),

The equipment will be owned and operated by Blount Memorial Hospital, Incorporated.

- III. A. Attach a copy of the plot plan of the site on an 8 ½" x 11" sheet of white paper which **must include:** 
  - Size of site (in acres);
  - 2. Location of structure on the site; and
  - 3. Location of the proposed construction;
  - 4. Names of streets, roads or highways that cross or border the site.

#### Response:

Appendix B-III-A shows the outline of the proposed new site for the re-located MRI, including the specific space that will be renovating to accommodate the re-located MRI. The site of Blount Memorial's ETMG site is 7.471 acres.

B. 1. Describe the relationship of the site to public transportation routes,

if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

#### Response:

The proposed site, located at 266 Joules Street, Alcoa, TN is perpendicular to Hall Road, a major road way leading north to Highway 129 (dba Alcoa Highway) and to Washington Street to the south that runs into Highway 321, a major road running primarily east-west in Blount County. Highway 321 also connects to another major roadway, Highway 411.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 ½" x 11" sheet of white paper.

Note: <u>DO NOT SUBMIT BLUEPRINTS.</u> Simple line drawings should be submitted and need not be drawn to scale.

#### Response:

Appendix B-IV contains the floor plan showing the location of the relocated MRI relative to the entire building.

- V. For a Home Health Agency or Hospice, identify:
  - Existing service area by County;
  - Proposed service area by County;
  - 3. A parent or primary service provider;
  - 4. Existing branches; and
  - Proposed branches.

Response: Not Applicable.

#### SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly

development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated § 68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 ½" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

#### **QUESTIONS**

#### NEED

- 1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.
  - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criterion and Standards (pages 6-9) here.

#### Response:

Blount Memorial Hospital is NOT proposing to add an MRI, rather we are proposing to upgrade an existing MRI and re-locate it 1.6 miles away to achieve operational efficiencies. By re-locating it, we will eliminate otherwise duplicative outpatient diagnostic centers and centralizing these services, with the re-location of the MRI at one site with other diagnostic capability.

Blount Memorial's primary service area is Blount County, but we also serve patients residing in Loudon, Monroe, McMinn, and Sevier Counties.

The following chart contains the estimated census data for Blount Memorial Hospital's Service Area:

TOTAL
CURRENT & PROJECTED POPULATION

County	2007	2010	2015	
Blount	114,523	123,692	130,143	
Loudon	44,074	46,504	48,679	

Monroe	42,705	46,499	49,328
McMinn	52,064	53,914	56,094
Sevier	79,939	86,655	92,702

Source: Division of Health Statistics, Office of Policy Planning & Assessment, TN Department of Health - 2008

We expect to continue to serve the same population base at the proposed re-located site and wouldn't expect it to present a burden as the site is 1.6 miles from the MRI's existing location.

The current MRI meets the minimum standard of 2,200 MRI procedures per year. The MRI procedures for Fiscal Years ending June 30 at the existing Springbrook site is as follows:

#### **Outpatient MRI procedures**

2011	2012
2370	2493

Other MRI's in our service area include the MRI (stationary) located at Blount Memorial Hospital and a limited MRI that is utilized for extremities located at Ortho Tennessee Imaging, dba Maryville Orthopedic. MRI procedures at these facilities were 5551, and 932, respectively for 2011.

The Food and Drug Administration has approved the 3.0T whole body MRI for the entire body, including, but not limited to head, neck, TMJ, spine, breast, heart, abdomen, pelvis, joints, prostate, blood vessels, and musculoskeletal regions of the body. Refer to Appendix C- 1—a for correspondence from the FDA.

The proposed new location for the MRI will continue to meet all licensure, Joint Commission requirements. Refer to Appendix C-1- a (1) for a copy of current licensure and Joint Commission accreditation.

The hours of operation at the re-located site will continue to be 8:00 am until 5:00 pm, but the staff will remain until the last MRI is provided. If we find that we can not meet demand during these hours, we will expand our hours of operation. Should there be an emergency situation necessitating off-hours MRI service, the patient would be referred to the hospital-based MRI, which is available as needed 24 hours/7 days a week. Blount Memorial Hospital has a case management staff that works with physician offices to precertify MRI requests to assure procedures performed are medically

necessary. Both the hospital and the Radiologists that read the MRI would not be paid if the tests were deemed medically unnecessary. Blount Memorial Hospital utilizes LeConte Radiology exclusively to interpret our radiological procedures. In order to meet criteria to be a member of our medical staff, they must be Board Certified. The hospital's credentialing process meets Joint Commission criteria. Our Radiologists include:

Dr. Kristen Carver

Dr. Daniel Cotton

Dr. James Cox, Jr.

Dr. Daniel Dovgan

Dr. Craig Miller, Jr.

Dr. John Neithammer

Dr. Kevin Sentell

Dr. Fred Tolhurst

Projected volume of MRI procedures for two years following the relocation and upgrade of the MRI is as follows:

Year 1	Year 1
2543	2594

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4) (a-c).

Response: Not applicable

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

#### Response:

As part of our strategic plans, it was our intention to form a relationship with East TN Medical Group. Now that it is established, we can eliminate duplicative diagnostic services by combining those services at the East TN Medical Group site.

3. Identify the proposed service area <u>and</u> justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 ½ " x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

#### Response:

Refer to Appendix C - 3 which contains a map of Tennessee and a local map showing the location of the re-located MRI. The new location is 1.6 miles from the existing MRI site and is located in Blount County, which is our primary service area. Given its proximity to Highways 129, 321 and 411 it is a convenient site for patients to access the service.

4. A. Describe the demographics of the population to be served by this proposal.

#### Response:

As indicated above in response C-1 a, the hospital's primary service area is Blount County, but we also serve residents who reside in Loudon, Monroe, Sevier, and McMinn Counties. Blount County's population is expected to grow by 5.2% from 2010 to 2015. During that same time period, Sevier County population is expected to grow 6.8%, followed by Monroe at 6.1%, Loudon at 4.7% and McMinn at 4.0%. The 65 + population are expected to grow in all counties except Sevier which shows a 14.3 % decline. In Blount County, the Black population represents 2.9% of the total population and 'other' represents 1.4%. The Black population in Sevier is .6%, 2.1% in Monroe, 1.1% in Loudon, and 4.6% in McMinn County, while 'other' represents 1.1%, .9%, .7%, and 1.3% respectively.

#### Health Rankings

In the County Health Rankings & Roadmaps prepared by the University of Wisconsin's Population Health Institute and a grant from the Robert Wood Johnson Foundation, counties across our nation were ranked according to their summary measures of health outcomes and health factors. Health Factors took into account education levels, employment, income, and a variety of other environmental factors. Health Outcomes took into account tobacco use, obesity, alcohol use, access to care, quality of care and other health behaviors and is said to represent how healthy a county is while the health factors represent what influences the 'health' of a community. Counties with a higher rank (meaning #1 would be the 'best') are estimated to be the 'healthiest'. Based on the weighted summary of Health Outcomes, Blount County was ranked 4th in the State, followed by Loudon at 16th, Sevier at 28th, Monroe at 36th, and McMinn at 55<sup>th</sup> out of 90 rankings. According to the CDC, there has been a dramatic increase in obesity in the US from 1990 through 2010. Obesity related conditions include heart disease, stroke, type 2 diabetes and certain types of cancer. No State met the nation's Health People 2010 goal to lower obesity prevalence to 15%. According to the 2011 data (which is measured differently than past

measures of obesity), Tennessee's prevalence of obesity was 29.2%, with Colorado's prevalence the lowest at 20.7% and Mississippi at the highest prevalence at 34.9%. Blount Memorial has initiated several quality initiatives with our medical staff to address these issues including Stemi-Team alert which activates our staff to provide interventional cardiology within a 15 minute time frame upon arrival in the Emergency Room, Joint Commission accredited Stroke Center of Excellence, diabetes education program, Bariatric Center of Excellence and a variety of other efforts. Blount Memorial Hospital has also had in place a Community Health Initiative in Blount County since 1995 that has served to address the health factors affecting our county including drug and alcohol abuse and prevention, mental health and suicide prevention, a program aimed at reducing childhood and family obesity, a task force to address domestic violence and an environmental health action team.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

#### Response:

As indicated previously, Blount Memorial Hospital participates in all of the TennCare MCO plans available in our service area and serves the TennCare population include dual eligibles. LeConte Radiology physicians, who will be reading the MRI's, also participate in the TennCare plans. Last year, Blount Memorial provided over \$36 million in charity care and intends to continue this provision of service.

Describe the existing or certified services, including approved but unimplemented CON's, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

#### Response:

We are not aware of any approved but unimplemented CON for the implementation of a new or replacement MRI in our service area. The existing MRI's in Blount County include the following and the latest reported data shows the following:

<u>2009</u>	
Provider	Total Procedures
Blount Memorial Hospital	5467
Blount Memorial Springbrook	2431
Ortho TN/Maryville Ortho	776
2010	
Provider	Total Procedures
Blount Memorial Hospital	5387
Blount Memorial Springbrook	2385
Ortho TN/Maryville Ortho	835

#### 2011

Provider	<b>Total Procedures</b>
Blount Memorial Hospital	5551
Blount Memorial Springbrook	2370
Ortho TN/Maryville Ortho	932

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

#### Response:

The volume at our existing Springbrook location for 2009, 2010, 2011, and 2012 is 2431, 2385, 2370, and 2493 respectively. Given that we are simply upgrading and re-locating an existing MRI and it is not a new service, we expect referrals from our medical staff to continue to generate similar volumes. Projected utilization of the re-located MRI for two years following completion of the move is 2543 MRI procedures in Year 1 and 2594 procedures in Year 2.

#### **ECONOMIC FEASIBILITY**

- Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
  - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

- The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

#### Response:

The Project Cost Chart is complete and provided as part of the Certificate of Need Application on the next page. Appendix II (1) – Cost Estimates

#### PROJECT GOSTS CHART

Α.	Con	struction and equipment acquired by purchase	
	1.	Architectural and Entitle Fees	\$ 32,000.
	2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	
	3.	Acquisition of Site	
	4.	Preparation of Site	
	5.	Construction Costs	\$ 347,000.
	6.	Contingency Fund	\$ 35,000.
	7.	Fixed Equipment (Not included in Construction Contract)	
	8.	Moveable Equipment (List all equipment over \$50,000)	
	9.	Other (Specify) Removal of old MRI & Vibration testing	\$ 48,050.
B.	Acqu	uisition by gift, donation, or lease:	
	1.	Facility (inclusive of building and land)	
	2.	Building only	
	3.	Land only	
	4.	Equipment (Specify) Replacement MRI	\$ 1,747,195.
	5.	Other (Specify)	
C.	Finar	ncing Costs and Fees:	
	1.	Interim Financing	<b>建</b> 进力,这意味完成有所到
	2.	Underwriting Costs	
	3.	Reserve for One Year's Debt Service	
	4.	Other (Specify)	
D.	Estim (A+B-	rated Project Cost +C)	\$ 2,209,245
E.	CC	DN Filing Fee	\$ 4,971.00
F,		tal Estimated Project Cost	\$ 2,214,216.
	(D+		
	<b>\</b> -	TOTAL	\$ 2,214,216.

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- 2. Identify the funding sources for this project.
  - a. Please check the applicable item(s) below and briefly submarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility 2.)
    - A. Commercial loan Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
    - B. Tax-exempt bonds Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
    - C. General obligation bonds Copy of resolution from issuing authority or minutes from the appropriate meeting.
    - D. Grants Notification of intent form for grant application or notice of grant award; or
  - X E. Cash Reserves Appropriate documentation from Chief Financial Officer.
    - F. Other Identify and document funding from all other sources

#### Response:

We will utilize cash reserves. Please refer to the confirmation letter from our CFO in Appendix C (2) a.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

#### Response:

The cost per square foot including construction costs of \$ 347,000; Architectural/Engineering fees of \$ 32,000 and contingency fees of \$ 35,000 based on 883 square feet is \$ 469. In checking the Agency's Comminique over the past four months, there isn't a similar project on the Agenda that was approved by the Agency to provide comparative cost figures.

4. Complete Historical and Projected Data Charts on the following two pages – <u>Do not modify the Charts provided or submit Chart substitutions!</u> Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

#### Response:

The Historical Chart is provided on the next page as part of the Certificate of Need application.

#### **SUPPLEMENTAL-#2**

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#### **HISTORICAL DATA CHART**

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in JULY 1 (Month) and MAY 30 HI

- 00	e lisc	ar year begins in <u>JOLY 1 (</u> Mic	5013 WHY 30 1111		V Haarr	W 0040
				Year 2010	Year 2011	Year 2012
Α.		lization Data (Specify unit of		2385	2370	2493
В.		venue from Services to Patie	ents			
	1.	Inpatient Services		\$	\$	\$
	2.	Outpatient Services		\$6,198,868	\$6,401,918	\$6,987,879
	3.	Emergency Services			1-1	A <del></del>
	4.	Other Operating Revenue (Specify)		***************************************		
			Gross Operating Revenue	\$6,198,868	\$6,401,918	\$6,987,879
C.	De	ductions from Gross Operati	ng Revenue			
	1.	Contractual Adjustments		\$3,891,339	\$4,197,418	\$4,744,071
	2.	Provision for Charity Care		\$ 292,897	\$ 315,935	\$ 357,081
	3.	Provisions for Bad Debt		Included in C 1	Included in C 1	Included in C
			<b>Total Deductions</b>	\$4,184,236	\$4,513,352	\$5,101,152
NE	T OP	ERATING REVENUE		\$2,014,632	\$1,888,566	\$1,886,727
D.	Op	erating Expenses				
	1.	Salaries and Wages		\$ 105,057	\$ 107,210	\$ 109,397
	2.	Physician's Salaries and W	Vages			-
	3.	Supplies		\$ 130,267	\$ 136,090	\$ 150,580
	4.	Taxes			<del></del>	
	5.	Depreciation		\$ 320,000		
	6.	Rent		· · · · · · · · · · · · · · · · · · ·		
	7.	Interest, other than Capital		( <del>-100)</del>	-	
	8.	Management Fees:				
		a. Fees to Affiliates		\$ 0	\$ 0	\$ 0
		b. Fees to Non-Affilia	ates	\$ 0	\$ 0	\$ 0
	9.	Other Expenses – Specify	MAINTENANCE			
		CONTRACT		\$ 170,000	\$ 170,000	\$ 170,000
			Total Operating Expenses	\$ 725,324	\$ 413,300	\$ 429,977
E.	Oth	er Revenue (Expenses) – Ne	et (Specify)	\$ 0	\$ 0	\$ 0
NET	ГОРІ	ERATING INCOME (LOSS)		\$1,289,308	\$1,475,266	\$1,456,751
F.	Cap	ital Expenditures				
	1.	Retirement of Principal		\$	\$	\$
	2.	Interest			-	
			Total Capital Expenditures	\$	\$	\$
		ERATING INCOME (LOSS) PITAL EXPENDITURES		\$ <u>1,289,308</u>	\$ <u>1,475,266</u>	\$ <u>1,456,751</u>

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#### PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in **July 1** (Month).

			Year One	Year Two
A.	Ut	ilization Data (Specify unit of measure)	2543	2594
B.	Re	evenue from Services to Patients		
	1.	Inpatient Services	\$	\$
	2.	Outpatient Services	\$7,679,860	\$8,132,190
	3.	Emergency Services		5
	4.	Other Operating Revenue (Specify)		
		Gross Operating Revenue	\$7,679,860	\$8,132,190
C.	De	ductions from Gross Operating Revenue		
	1.	Contractual Adjustments	\$5,356,702	\$5,899,091
	2.	Provision for Charity Care	\$ 403,193	\$ 444,018
	3.	Provisions for Bad Debt	Included in C1	Included in C
		Total Deductions	\$5,759,895	\$6,343,108
NE.	ТОР	ERATING REVENUE	\$1,919,965	\$1,789,082
D.	Ор	erating Expenses		
	1.	Salaries and Wages	\$ 112,679	\$ 116,059
	2.	Physician's Salaries and Wages		
	3.	Supplies	\$ 168,838	\$ 181,024
	4.	Taxes		
	5.	Depreciation	\$ 349,439	\$ 349,439
	6.	Rent		
	7.	Interest, other than Capital		
	8.	Management Fees:		
		a. Fees to Affiliates	\$ 0	\$ 0
	9.	b. Fees to Non-Affiliates Other Expenses – Specify SERVICE CONTRACT	\$ 0	\$ 0
	•		\$ 0	\$ 157,720
E.	Oth	Total Operating Expenses er Revenue (Expenses) Net (Specify)	\$ 630,956	\$ 804,242
		RATING INCOME (LOSS)	\$	\$
F.		ital Expenditures	\$1,289,009	\$ 984,840
-	1.	Retirement of Principal		
	2.	Interest	\$	\$
	۷.		\$ 95,176	\$ 80,875
		Total Capital Expenditures	\$ 95,176	\$ 80,875

**SUPPLEMENTAL- # 2**May 30, 2013

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Net Operating Income less Capital Expenditures \$1,193,833 \$ 903,965

#### **HISTORICAL DATA CHART-OTHER EXPENSES**

OTHER EXPENSES CATEGORIES	Year	Year	Year
1. Maintenance Contract	\$170,000	\$170,000	\$170,000
2.			
3.			
4.			
5.	Harris Control		
6.	-		
7.	***************************************	·	
<b>Total Other Expenses</b>	\$170,000	\$170,000	\$170,000

#### PROJECTED DATA CHART-OTHER EXPENSES

OT	HER EXPENSES CATEGORIES	Year One	Year Two
1.	Service Contract for replacement MRI *	\$ 0	\$ 157,720
2.			
3.			
4.			
5.			
6.			8
7.			( <del></del>
	Total Other Expenses	\$ 0	\$ 157,720

<sup>\*</sup> MRI will be under warranty in Year One, therefore no need for Service Contract fee.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

#### Response:

MRI charges have increased in the range of 3.7% to 3.9% from 2010 to 2012. The average gross charge per procedure in the first year of operation with the new, re-located MRI is \$3,020, and \$3,135 in Year two. The total deductions from revenue in the project's first and second year are 75% and 78% off Gross revenue respectively. Net income in each year is projected to be \$1,289,009 in Year One and \$984,840 in Year Two. The average gross charge, deduction from revenue and average net revenue in the Projected Years is as follows:

n	Year 1	Year 2	
Ave. Gross Charge	\$ 3,020	\$ 3,135	
Ave. Deduction from Rev.	\$ 2,265	\$ 2,445	
Ave. Net Charge	\$ 755	\$ 690	

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

#### Response:

Historical average gross charge per outpatient MRI procedure in years 2010, 2011 and 2012 have been \$ 2,599, \$ 2,701, and \$2,803 respectively. Charges increased between 3.7% and 3.9% over this time period. The first full year of operation under the new, re-located MRI will begin in the next fiscal year and charges are expected to grow at the same rate until that time resulting in an average gross charge of \$3,020 in Year One and \$ 3,135 in Year Two. Given Medicare cuts, no foreseeable increases in TennCare rates and the uncertainty of the new exchanges, we foresee continued increases in our deductions from revenue and that is reflected in the projected figures.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

#### Response:

Comparative Hospital based MRI's based on the latest reporting data to the State in 2011 shows the following:

Facility	Average 2011 Charge			
Ft. Sanders Regional Med. Center	\$ 1,882			
Ft. Sanders West Center	\$ 1,930			
Physicians Regional Center	\$ 3,041			
University of TN Med. Center	\$ 3,316			
Turkey Creek Med. Center	\$ 3,284			
Blount Memorial Springbrook	\$ 2,370			

The five other hospital-based facilities average charge in 2011 was \$ 2,691 compared to Blount Memorial average charge of \$2,370 for that same time period. Based on the available historical data, the area hospital increases have ranged from 1.3% increase to a 21% increase. Blount Memorial's average increase was 3.8% comparatively. We are showing the same increases in the projected years, but there is no way to speculate what other facilities will do with their charges in the future.

7. Discuss how projected utilization rates will be sufficient to maintain costeffectiveness.

#### Response:

As indicated, combining our diagnostic services will achieve a level of improved operational efficiency. The projected statements for the MRI re-located service show a positive net income.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

#### Response:

The projected Income statements show net income of \$1,193,833 in Year One and \$ 903,965 in Year Two.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

#### Response:

Based on projected Gross Revenue of \$7,679,860 in Year One, Tenncare will represent \$921,583 of gross charges in Year One, and based on \$8,132,190 of Gross charges in Year Two, Tenncare will represent \$975,863 of gross charges. Comparatively,

May 31, 2013

8:49 am

Medicare/Medicare Advantage will represent \$2,373,077 of gross charges in Year One and \$ 2,512,847 of gross charges in Year Two.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alphanumeric order and labeled as Attachment C, Economic Feasibility-10.

#### Response:

Refer to Appendix C-10 for copies of the audited financial statements for the past two years.

- 11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
  - A. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

#### Response:

As alternative to upgrading and re-locating the MRI from Springbrook to ETMG, the following options were considered:

(1) Keep the MRI and other diagnostic equipment at Springbrook and simply upgrade the existing MRI at Springbrook. The cost of the upgrade is \$700,000, and wouldn't provide the increase in bore size or the increase in table weight capacity along with the other advantages of the latest technology. In addition, we would still be operating two diagnostic services 1.6 miles apart and not achieve the operational savings.

(2) Upgrade the current MRI and move it to ETMG location. Again the cost would be \$700,000 for the upgrade and still not have the increase in bore size or the increase in table weight along with the other advantages of this latest technology. In addition, we would have to rent a mobile MRI during downtime for a minimum of \$65,000.

Given the age of the existing MRI, its limitations, the advantages of the 3-T MRI, and the desire to achieve operational efficiencies, upgrading and relocating the MRI was the better choice.

B. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

#### Response:

Not applicable.

#### (III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

#### Response:

Blount Memorial Hospital has transfer agreements with the following organizations:

Maryville healthcare & Rehab Center Asbury Acres Health Center Chattanooga Hamilton County Hospital

East TN Children's Hospital

**Erlanger Medical Center** 

Fair Park Health Care Center

Park West medical Center

Penninsula Psychiatric Center

Wellington Place

**Maryville Surgery Center** 

**Athens Regional Medical Center** 

Colonial Hills Nursing Center

Fort Sanders Regional Medical Center

**LeConte Center** 

**Tennessee Endoscopy Center** 

Vanderbilt University

**Thompson Cancer Survival Center** 

**Brakebill Nursing Home** 

Cornerstone Recovery

**University of TN Medical Center** 

East Tennessee Health Care

 Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

#### Response:

Given that this is simply a replacement of an existing MRI and re-location 1.6 miles away, we perceive no impact on the existing health care system.

Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor and Workforce Development and/or other documented sources.

#### Response:

The staffing needs of the MRI at the re-location would include a full-time MRI Technologist, and the sharing of other staff who would also help with other diagnostic services at the new location. This includes:

_ 0		<b>Blount Memorial</b>	Comparative
Position	FTE	Hourly Rate	Rate*
MRI Technologist	1.0	\$27.37	\$ 25.87
Technologist Aide	.5	\$14.10	\$ 13.71
Patient Access Assoc.	.5	\$10.56	\$ 11.48

<sup>\*</sup> Source: TN Society of Healthcare Human Resource Association – Median/Midpoint comparison

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

#### Response:

We are fortunate to already have the staff in place who are needed for the project.

Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping and staff education.

The Hospital is Joint Commission certified which means that we meet the criteria for hospital staff requirements and the credentialing and privileging of the medical staff, including meeting quality improvement efforts, utilization review efforts, medical record requirements, staff continuing education requirements and the many other Joint Commission standards and regulations. Additionally, the Hospital is licensed by the State of Tennessee in all areas that require licensure.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response:

Blount Memorial Hospital participates with the nursing programs at Lincoln Memorial, the University of TN and Pellissippi State through on-site clinical nursing rotations. Additionally, we have students who are on-site from Lincoln Memorial's Osteopathic School of Medicine, and medical students from the University Of TN who rotate through our psychiatric program.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response:

Blount Memorial Hospital has been in operation for just over 65 years and maintains licensure in all applicable areas.

(b) Provide the name of the entity form which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Board for Licensing of HealthCare Facilities
Department of Health

Accreditation: The Joint Commission & Joint Commission Certificate of Distinction for Stroke

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

#### Response:

Refer to Appendix III (7) b for a copy of the Hospital's license and Joint Commission Accreditation.

(c) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

#### Response:

A copy of the latest inspection by the State is enclosed in Appendix III (7) c.

9. Document and explain any final orders or judgements entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for license regardless of whether such license is currently held.

#### Response: Not Applicable

10. Identify and explain any final civil or criminal judgements for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

#### Response:

Not applicable.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

#### Response:

Blount Memorial participates in all State reporting including submitting our annual MRI volume and associated revenue and will continue with this effort.

#### PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

#### **DEVELOPMENT SCHEDULE**

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

Form HF0004 Revised 02/01/06 Previous Forms are obsolete

## \$199,900 MLS # 827595

SALE WHEREAS, default has ocints, terms and conditions of a Deed of CINDY J DEAL, conveying certain real M. WILSON JR, as Trustee, as same e of Blount County, Tennessee record-Page 1592-1603; and WHEREAS, the I was tast transferred and assigned to he owner of said debt; and WHEREAS, red pursuant to T.C.A. § 35-5-117 y, and WHEREAS, the undersigned, Ru-pinted as Substitute Trustee by instru-'s Office of Blount County, Tennessee, ven that the entire indebtedness has hat the undersigned, Rubin Lublin TN, appointed agent, by virtue of the power, I upon said Substitute Trustee will, on NT County Courthouse door where the at the BLOUNT Courthouse, located in I public outery to the highest and best It public outcry to the highest and best, the following described properly situativit: SITUATE IN DISTRICT NO. 8 OF DISTRICT NO. 8 OF DISTRICT NO. 8 OF DISTRICT NO. 8 OF DISTRICT NO. 9 OF DIST elieved to be 2823 MONTVALE ROAD, elleved to be 2823 MONTVALE ROAD, of any discrepancy between this street the property, the legal description shall Y J DEAL OTHER INTERESTED PARTIPOPERTY of the street of the property shall be subject to all matters discrepances any prior lens or encumby a fixture tiling, and to any matter that ight disclose. This property is being sold subject to confirmation by the tender or rescinded at any time. The right is reto another day, time, and place certain uncertaint at the time and place for the uncement at the time and place for the ity of redemption, statutory or otherwise, valved in said Deed of Trust, and the title walved in said Deed of Frost, and the title gned will sell and convey only as Substitis. Where is, without representations or ss for a particular use or purpose. THIS LECT A DEBT. ANY INFORMATION OB-PURPOSE. Rubin Lublin TN, PLLC, Subtite 500 Memphis, TN 38103 www.rubin-177) 813-0992 Fax: (404) 601-5846. Ad 3-05-10.

#### NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Blount Memorial Hospital, Incorporated, Huspital owned by Blount Memorial Hospital, Incorporated with an ownership type of not-for-profit corporation and to be managed by Blount Memorial Hospital intends to file are application for a Certificate of Need for: Blount Memorial Hospital is seeking attrivial to upgrade its existing MRI that serves outpatients and relocate it from Hount Memorials Springbrook Health Center located at 220 Associates Blvd. After TN. to Blount Memorials East TN Medical Group site located at 266 Jouli Freet, Alcoa, TN, 37701, which is 1.6 miles from its existing site. The existing MC will be replaced with a 3-T system that provides the latest technology available, and provides an increase in the bore size from 60 cm, to 70 cm and increases the table weight capability from \$50 pounds to 500 pounds. Moving the MRI to Blount Memorials East TN Medical Group Jocation we achieve greater efficiency in operation by combining it with other diagnostic equipment located at the December of the project, including removal of the existing MRI, the purchase price of the new MRI, and renovation at the new Blount Memorial East TN Medical Group site to accommodate the new MRI is expected to be \$2,214,216.

The anticipated date of filing the application is Wednesday, May 8, 2013. The contact person for this project is Jane Nelson, Assistant Ininistrator, who may be reached at Blount Memorial Hospital, 907 E. Lamar Alexander Parkway, Maryville, TN 37804, 865–981-2310.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L, Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. §  $68-11\cdot1607(c)(1)$ . (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person vishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



y Fool DAILY TIMES

In Elizabethan days, fools were the only people who could get away with telling the truth to the King or Queen.

The Motley Fool tells the truth about investing, champions shareholder values and advocates tirelessly for the individual investor.

They hope you'll laugh all the way to the bank.

#### PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): August, 2013 Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast. **Anticipated Date DAYS** Phase REQUIRED (MONTH/YEAR) complete 1. Architectural and engineering contract signed 2. Construction documents approved by the Tennessee 30 Department of Health 20 3. Construction contract signed 10 4. Building permit secured 5. Site preparation completed Mid-Dec.2013 6. Building construction commenced March 1, 2014 7. Construction 40% complete April 15, 2014 8. Construction 80% complete May 31, 2014 9. Construction 100% complete (approved for occupancy \*Issuance of license June 2, 2014 11. \*Initiation of service 12. Final Architectural Certification of Payment June 30, 2014 13. Final Project Report Form (HF0055)

For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

#### **AFFIDAVIT**

STATE OF Tennessee
COUNTY OF Blount
Jane T. H. Nelson being first duly sworn, says that he/she
is the applicant named in this application or his/her/its lawful agent, that this project will be
completed in accordance with the application, that the applicant has read the directions to
this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-
11-1601, et seq., and that the responses to this application or any other questions deemed
appropriate by the Health Services and Development Agency are true and complete.
TOWN Auglson Assistant Administrator
SIGNATURE/TITLE
Sworn to and subscribed before me this 3rd day of May (Month) 2013 a Notary
Public in and for the County/State of Blount
STATE OF TENNESSEE WOTARY PUBLIC NOTARY PUBLIC NOTARY PUBLIC
My commission expires (Month/Day) (Year)

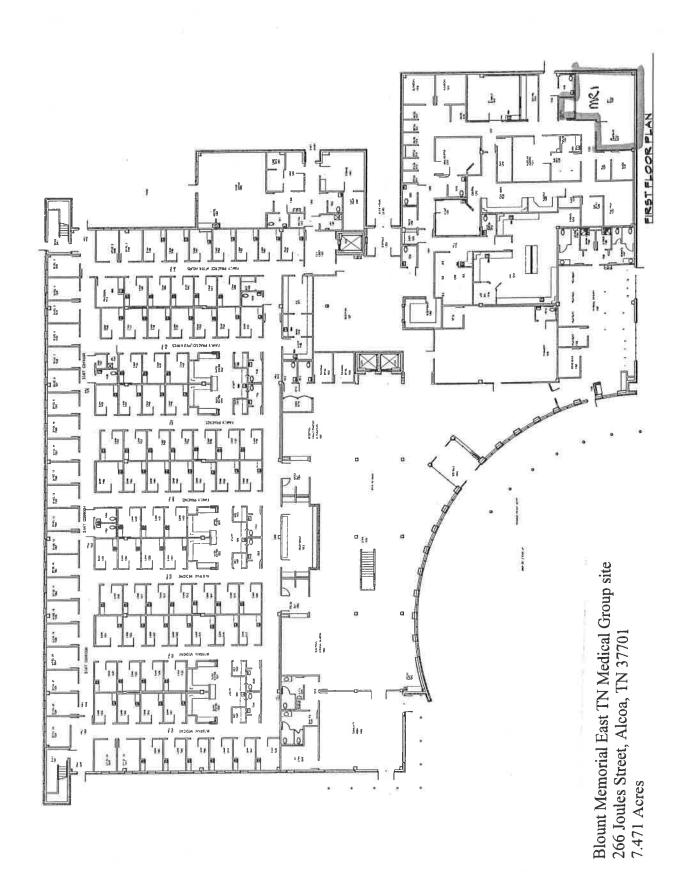
## **APPENDICES**

APPENDIX B-III-A
PLOT PLAN(s)

N. Calderwood Street

**APPENDIX B-IV** 

FLOOR PLAN FOR MRI LOCATION



7433 Bell Road Knoxville, TN 37438 865-422-0353 19dood

Project Number: ETMGMR 13

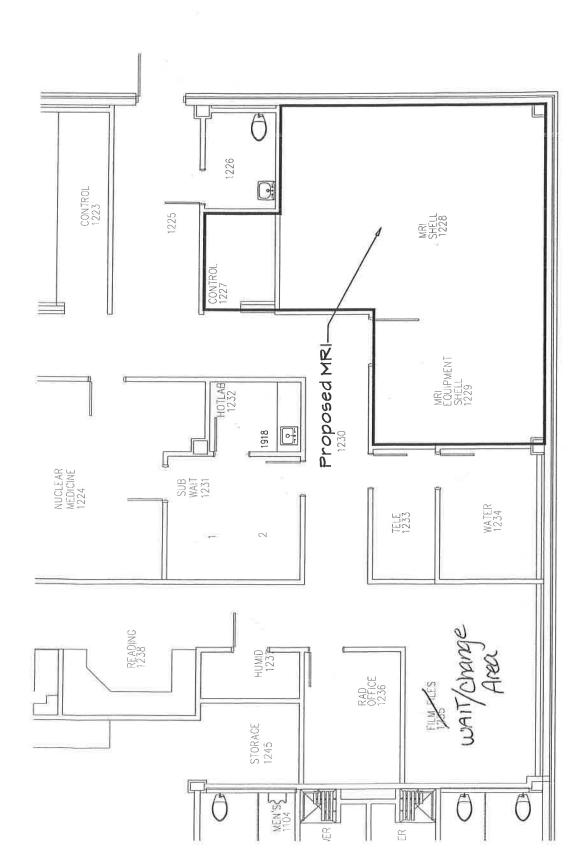
East Tennessee Medical Group

Revisions: No. Date Description

Alcoa, TN
Sheet Contents:
Floor Plan
Proposed
MRI

April 13, 2013 Sheet Number: 1

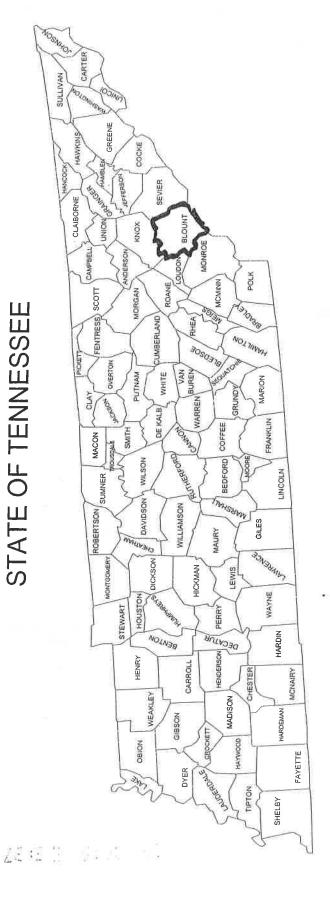
FLOOR PLAN 3/16"-1'-0"



# APPENDIX C -1 a (1) JOINT COMMISSION ACCREDITATION HOSPITAL LICENSE

#### **APPENDIX C-3**

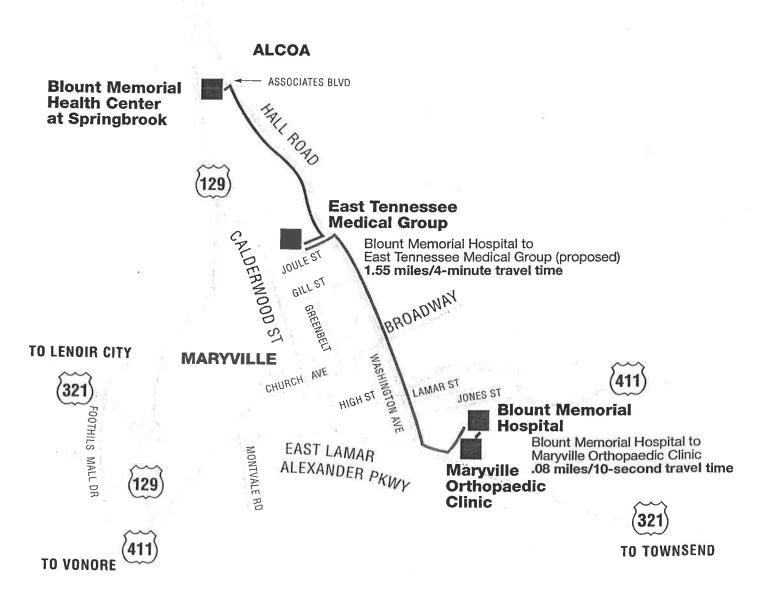
## MAP OF TENNESSEE AND LOCAL MAP SHOWING RE-LOCATED MRI



Center for Business and Economic Research, The University of Tennessee.

# Map of Blount Memorial Hospital Facilities Springbrook & East TN Medical Site

ALCOA HWY



APPENDIX C – (2) a

LETTER OF CONFIRMATION FROM CHIEF FINANCIAL OFFICER



907 East Lamar Alexander Parkway Maryville, Tennessee 37804 865-983-7211

2013 MAY 7 AM 9 07

May 1, 2013

Ms. Melanie Hill **Executive Director** Tennessee Health Facilities Commission 161 Rosa L. Parks Boulevard Nashville, TN 37243

Dear Ms. Hill:

As Chief Financial Officer for Blount Memorial Hospital, please accept this as my confirmation that Blount Memorial Hospital has sufficient funds to internally fund the proposed acquisition of a replacement MRI and associated costs of re-locating the MRI to our East Tennessee Medical Group site in the amount of \$2,142,245. We currently have a cash and cash equivalent balance just over \$124,000,000.

Please do not hesitate to contact me should you have any questions.

Sincerely,

David Avriett

Assistant Administrator &

Chief Financial Officer

Robert Redwine President of the Board

Dr. Ted Flickinger Vice President of the Board

Don Heinemann Chief Executive Officer

**Medical Staff** 

Dr. John Niethammer Chief of Staff

Dr. Teresa Catron Vice Chief of Staff

Dr. Julie Turner Secretary/Treasurer

Dr. Deaver Shattuck Immediate Past Chief of Staff

#### **APPENDIX C-10**

## TWO YEARS OF AUDITED FINANCIAL STATEMENTS

#### Annual Financial Report

Blount Memorial Hospital, Inc.

Years ended June 30, 2012 and 2011 with Report of Independent Auditors

#### Blount Memorial Hospital, Inc.

### Statements of Revenues, Expenses and Changes in Net Position

	Year ended.	Year ended June 30		
	2012	2011		
On austine management				
Operative revenues:	\$ 167,085,932 \$	169,452,018		
Net patient service revenue Other revenue	4 201,000,000	14,008,564		
	15,583,759 182,669,691	183,460,582		
Total operating revenues	182,009,091	105,400,502		
Operating expenses:				
Salaries and wages	84,662,302	84,075,103		
Employee benefits	23,673,204	24,401,017		
Contract salaries	1,206,629	1,459,201		
Professional fees	3,645,531	5,817,219		
Patient supplies	28,925,189	28,794,872		
Purchased maintenance	7,728,669	7,174,043		
Outside services	5,944,611	5,519,554		
Equipment rental	2,878,719	2,758,186		
Utilities	4,462,899	4,427,385		
Marketing	640,082	638,441		
Depreciation and amortization	11,235,807	12,458,571		
Interest	3,762,252	3,654,506		
Other expenses	9,262,903	9,200,461		
Total operating expenses	188,028,797	190,378,559		
Operating loss	(5,359,106)	(6,917,977)		
Nonoperating revenues:				
Investment income	1,986,978	12,273,324		
Contributions and other	1,036,897	818,106		
Total nonoperating revenues	3,023,875	13,091,430		
Excess of (expenses over revenue)				
revenues over expenses	(2,335,231)	6,173,453		
Net position at beginning of year	176,913,357	170,739,904		
Net position at end of year	\$ 174,578,126 \$	176,913,357		

See accompanying Notes to Financial Statements.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 

Board of Directors Blount Memorial Hospital, Inc.

We have audited the financial statements of Blount Memorial Hospital, Inc. (the "Hospital") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

#### Internal Control Over Financial Reporting

Management of the Hospital is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors Blount Memorial Hospital, Inc.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

\*\*\*\*\*\*

This report is intended solely for the information and use of the board of directors, management, and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Coulter & Justus, P.C.

September 14, 2012

APPENDIX II (1)

RENOVATION COST ESTIMATES FROM ARCHITECT

## COOPER ARCHITECTURE, LLC

Blount Memorial Hospital 907 E. Lamar Alexander Parkway Maryville, TN 37804

Attn: Bruce Martin

Project Name: Relocation of MRI

#### Dear Bruce:

The following is a summary of the coat estimates for relocation of the MRI from Springbrook to the proposed location at East Tennessee Medical Group Building:

Construction cost	\$347,000.00
Contingency	\$ 35,000.00
Design fees	\$ 32,000.00
MRI Relocation	\$ 42,000.00
Total	\$456,000.00

If you have questions or require further information please do not hesitate to contact me.

Randy Cooper

**Cooper Architecture** 

#### APPENDIX III (7) b

## JOINT COMMISSION ACCREDITATION AND HOSPITAL LICENSE

## Blount Memorial Hospital, Inc.

Maryville, TN

has been Accredited by



## The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

October 27, 2012

Accreditation is customarily valid for up to 36 months.

Isabel V. Hoverman, MD, MACP Chair, Board of Commissioners Organization ID #7865 Print/Reprint Date: 02/08/13

Mark R. Chassin, MD, FACP, MPP, MPH

President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.











### APPENDIX III (7) C

**Latest State Inspection** 



STATE OF TENNESSEE

DEPARTMENT OF HEALTH

JUN 2 2 2006

OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
5904 LYONS VIEW PIKE, BLDG. 1
KNOXVILLE, TENNESSEE 37919

June 21, 2006

Mr. Joseph M. Dawson, Administrator Blount Memorial Hospital Hospital Pediatric Emergency Care 907 East Lamar Alexander Parkway Maryville, TN 37804

Dear Administrator:

We are pleased to advise you that no deficiencies were cited as a result of the State Licensure survey conducted at your facility on June 13, 2006.

If you have any questions, please contact this office at (865) 588-5656.

Sincerely,

Faye Vance, R.N., B.S., MSN Public Health Nurse Consultant Manager

FV:afl

TATEME	n of Health Care Fa	cilities					PRINTE FORI	D: 06/14/ MAPPRO
ND PLAN	NT OF DEFICIENCIES OF CORRECTION	(X1) PROVIDER/S	SUPPLIER/CLIA		IPLE CONSTRUCTION		(X3) DATE	SURVEY
		TNDES	•	A. BUILDIN B. WING	IG		COMPL	ETED
AME OF F	PROVIDER OR SUPPLIER	TNP5314		- L			06/	13/2006
	MEMORIAL HOSPIT		907 E LA	MAR ALEXA LE, TN 3780	STATE, ZIP CODE  NDER PARKWAY		1 00/	13/2000
(X4) ID PREFIX TAG		ATEMENT OF DEFIC Y MUST BE PRECEE LSC IDENTIFYING IN	IENCIES	ID PREFIX TAG	PROVIDER'S I (EACH CORREC CROSS-REFERENCE	PLAN OF CORRECT TIVE ACTION SHOL CED TO THE APPRO		(X5) COMPLI
P 002	1200-8-30 No Defic	ciencies		P 002	O.	EFICIENCY)		
l.	During the Basic Pe Facility Licensure S Hospital on May 12, cited for 1200-8-30 Emergency Care Fa	urvey at Blount , 2006, no defici Standarda for D	Memorial		5			
				2	4			
					(e.			

Division of Health Care Facilities

TITLE

(X6) DATE

ABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE ORM

PTE511

If continuation sheet 1 of 1

# Copy Supplemental #2

**Blount Memorial Hospital** 

CN1305-015

2013 MAY 30 AM 8 35



**SUPPLEMENTAL-#2** 

May 30, 2013

Robert Redwine 8:32 am
President of the Board

**Dr. Ted Flickinger** Vice President of the Board

**Don Heinemann** Chief Executive Officer

**Medical Staff** 

**Dr. John Niethammer** Chief of Staff

**Dr. Teresa Catron** Vice Chief of Staff

**Dr. Julie Turner** Secretary/Treasurer

**Dr. Deaver Shattuck** Immediate Past Chief of Staff

907 East Lamar Alexander Parkway Maryville, Tennessee 37804 865-983-7211

May 28, 2013

Phillip Earhart
Health Services Development Examiner
Health Services Development Agency
161 Rosa Parks Boulevard
Nashville, TN 37203

RE: Certificate of Need Application CN1305-015

Dear Mr. Earhart:

In accordance with your request for additional information, I have included the additional supplement question along with my response.

## 1. Supplemental Response

The applicant responded to supplemental questions with only a response. In answering questions, please type the question and the response. Please **resubmit** your first supplemental response in this format and include any additional questions included with this supplemental request.

Response:

Enclosed please find the first set of supplemental questions along with the full question.

# 2. Section B, Project Description, Item III. (A)

The provided plot plan is noted. Please indicate the location of the proposed MRI on the plot plan.

Response:

Enclosed please find the plot plan showing the proposed location of the replacement MRI relative to the building and site plan.

3. Section C, Economic Feasibility, Item 4. (Historical Data Chart and Projected Data Chart)

Please resubmit the Springbrook Historical Data Chart with the revised HSDA projected data chart that includes management fees. A sample historical data chart is enclosed.

J. Nelson May 28, 2013 Page 2

May 30, 2013 8:32 am

Please provide a Historical Data Chart fog Blount Memorial Hospital that includes management the 130 HIV 30

Please provide a Projected Data Chart that includes management fees. A revised Projected Data Chart is included as an attachment.

Response:

Enclosed please find the revised Historical Chart and Projected Data Chart with 'zero' indicated for management fees.

#### 4. Section C., Economic Feasibility, Item 9.

Please report the estimated dollar amount of revenue anticipated from each of TennCare/Medicaid and Medicare in Year One and Year Two. The mathematical equation is gross revenue x percentage of TennCare/Medicaid and/or Medicare=estimated dollar amount.

Response:

The anticipated NET revenue from TennCare/Medicaid program and Medicare/Medicare Advantage program in the Projected Years' One and Two as a percent of GROSS charges is 2.0% and 7.1% in Year One respectively, and 1.8% and 6.8% in Year Two. The net revenue figures for these percentages in Year One are \$147,376 for TennCare and \$548,583 for Medicare/Medicare Advantage. In Year Two, the net revenue figures are \$146,248 for TennCare and \$553,014 for Medicare/Medicare Advantage. In terms of volume of patients, TennCare represents 12% of patients, and Medicare/Medicare Advantage represents 30% of patients.

## 5. Section C. Orderly Development, Item 11

The submission of medical equipment data to HSDA is incomplete. Please resubmit the 2012 utilization by payor source, by county and updated equipment registration for Blount Memorial Hospital and Blount Memorial Hospital at Springbrook to Alecia Craighead, Statistical Analyst, Health Services and Development Agency. Please contact Ms. Craighead at 615-253-2782 if you have any questions.

Response:

Ms. Alecia Craighead is now in receipt of all of data submission and enclosed please find a copy of an e-mail from Ms. Craighead to Ted Mashburn, the Administrative Director of Radiology at Blount Memorial Hospital in which she confirms the submission is complete.

#### 6. Affidavit

A signed and notarized affidavit must be submitted with each filing of an application and supplemental information. An affidavit was not included with the previous supplemental response. Please submit a completed affidavit for this supplemental information request.

#### Response:

Enclosed please find notarized affidavits for the prior supplemental response and for this response.

Should you have any questions regarding my response, please don't hesitate to contact me at 865-981-2310.

Sincerely,

Jane T. H. Nelson

Assistant Administrator

Enc.

Resubmitted Supplemental Response
With the
Full Question in the Response

2013 MAY 30 AM 8 35

## **SUPPLEMENTAL-#2**

May 30, 2013

Robert Redwine 8:32 am
President of the Board

**Dr. Ted Flickinger** Vice President of the Board

**Don Heinemann** Chief Executive Officer

**Medical Staff** 

**Dr. John Niethammer** Chief of Staff

**Dr. Teresa Catron** Vice Chief of Staff

**Dr. Julie Turner** Secretary/Treasurer

**Dr. Deaver Shattuck** Immediate Past Chief of Staff

Blount Memorial
Hospital

907 East Lamar Alexander Parkway Maryville, Tennessee 37804 865-983-7211

May 28, 2013

Philip Earhart
Health Services Development Agency Examiner Health
Services and Development Agency
161 Rosa L. Parks Boulevard
Nashville, TN 37203

RE: Certificate of Need Application CN1305-015Supplemental Questions

Dear Mr. Earhart:

In response to the supplemental questions you submitted, I have responded to each questions as indicated below:

1. Bed Complement Data Chart

There appears to be a clerical error by placing "94" in the beds proposed column for surgical beds.

Please revise and resubmit the bed complement data chart.

Response: Enclosed please find the corrected chart.

2. Section 1 Project Description

The applicant states there are at least seven patients a month who suffer from claustrophobia who need greater MRI table weight capacity or increased bore width. Please indicate where these patients are currently referred for services.

Please provide a general overview of the primary care services and specialty services that are available at the 266 Joule Street Location.

The applicant states East Tennessee Medical Group was the previous owner of the 266 Joule Street location. Please clarify the date this site and physician practice was acquired by Blount Memorial Hospital

#### Response:

The we have not kept data regarding the location that patients were referred to, only that a patient had to be referred. However, the staff said that patients would likely be referred to the University of TN Medical Center or Parkwest Hospital, a member of Covenant Health.

The effective date that Blount Memorial Hospital owned the building that was previously

owned by East Tennessee Medical Group was October 1, 2012. The Warranty Deed was recorded October 26, 2012. We did not `purchase' the practice, just the building and its contents. The physicians became part of Blount Memorial Physician Group. The physicians who practice at that site include Family Practice, Internal Medicine, Gynecologist, Pulmonologists, Neurologists, Cardiologists, Rheumatologists, Oncologist, General Surgeons, and Vascular Surgeon. In addition, there is a walk-in clinic that operates with extended hours in the evenings and weekends.

3. Project Description, Section II.A

Please clarify if the applicant plans to surrender the CON for an MRI at the current Sunnybrook location.

The applicant states when the East Tennessee Medical Group owned the existing building, they intended to place an MRI in the building, but were not successful in obtaining a CON. Please provide a brief overview of the previously filed CON and the reason why it was denied.

What is the strength of the MRI that is slated to be removed from Springbrook? What are the plans for the Springbrook Outpatient Diagnostic Center? Is the applicant planning to close the ODC?

#### Response:

We weren't sure if the existing CON would be transferred or a new one issued, but yes the Hospital will surrender the existing CON for the MRI at its current Springbrook location.

At the time ETMG applied for an MRI, Blount Memorial had its MRI in operation at both the hospital location and at Springbrook. The ETMG applicant indicated that the group had difficulty getting patients scheduled at either location. It was proven otherwise at the hearing and the ETMG application was denied. I don't have the exact reason recorded by Health Development Agency, but that is my understanding of why the application was not approved. Blount Memorial demonstrated that we had the capacity to accommodate the practices' referrals.

The strength of the MRI that will be removed from the Springbrook location is a 1.5T, 60 cm bore, with table capacity of 350 pounds.

We have no plans to close our Springbrook site as it also a site for our Outpatient Rehabilitation (PT, OT, ST) services, an Occupational Medicine Clinic, a Family Practice Clinic, a Pediatric Practice and our Wellness Facility. We will likely keep X-ray capability at Springbrook, but as indicated, the other diagnostic equipment will be moved to the ETMG site.

4. Section B, Project Description, Item II. C

Please indicate what other outpatient medical equipment will also be moved to the 266 Joule Street location.

#### Response:

The other diagnostic equipment that will be moved from the Springbrook site includes some of the diagnostic x-ray equipment and ultrasound equipment. We also have a CT at the Springbrook site but plan to move it to the hospital as it is a newer model and will replace an older model CT at the hospital.

5. Section B, Project Description, Item II. C. E. 1-3

The applicant's response to the three questions on pages 10 is noted. However, please provide a response underneath each question (1-3) rather than answering each question together at the end in a paragraph.

Response: The response is provided under each question as requested.

- 1. For Fixed-site major medical equipment (not replacing existing equipment):
  - (a) Describe the new equipment, including:
    - 1. Total Cost; (as defined by Agency Rule).
    - 2. Expected useful life;
    - 3. List of clinical applications to be provided; and
    - 4. Documentation of FDA approval

Response: This question pertains to new equipment, not replacing existing equipment. However, we are proposing to replace and move existing services. We are proposing to upgrade our existing equipment to a 3-T wide bore MRI.

- (1) Total Cost of the project, including filing fee = \$2,214,216
- (2) Expected useful life: Depreciation is based on five years per accounting standards; from a practical standpoint, we expect its useful life to be eight years;
- (3) Clinical applications With the latest MRI technology we expect improved image quality, and faster scans to provide MRI for the entire body including, but not limited to head, neck, TMJ, spine, breast, heart, abdomen, pelvis, joints, prostate, blood vessels, and musculoskeletal regions of the body.
- (4) Documentation of FDA Approval Appendix C-1- of the application has an FDA letter and is included with this letter too.
  - (b) Provide current d proposed schedule of operations.

#### Response:

The current and proposed hours of operation are from 8:00am 5:00 pm, but as necessary, the staff will stay to serve patients that may run over that time frame.

2. For mobile major medical equipment:

Response: Not Applicable.

3. Indicate applicant's legal interest in equipment (own or lease). In the case of equipment purchased include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

#### Response:

As indicated, Blount Memorial plans to purchase the replacement MRI. The quote from the manufacturer is provided in Appendix B-E-3 (a) and the purchase price for the MRI is listed as \$1,747,195.

8:32 am

6. Section B, Project Description, Item II. C. 3.

The applicant states the approval of a 3 Tesla MRI would provide less patient referrals to Knoxville to obtain use of a 3T wide bore MRI. Which provider does the applicant refer patients for 3 Tesla MRI services and approximately how many per month?

The applicant states the new 3 tesla MRI would have a weight capacity of 500 pounds. The applicant also states Blount Memorial Hospital is a Bariatric Center of Excellence. Where does the applicant plan to refer patients who weigh more than 500 lbs. for MRI services?

The total cost of \$2,209,245 in replacing the existing MRI is noted. Are there any government fees or taxes in the cost of replacing the proposed MRI?

#### Response:

As indicated we send approximately seven patients per month because of the weight limitations of the existing MRI, and approximately eight patients a month because of claustrophobia for a total of 15 patients referred per month. We do not keep track of the referred location for these patients, but we believe most are referred to the University of TN Medical Center, with some going to Parkwest Medical Center.

If a patient weighs more than 500 pounds, we are not aware of an MRI in this area that could accommodate a patient over this weight and the patient is simply not able to have an MRI.

There are no government fees or taxes associated with the cost of replacing the proposed MRI.

7. Section B, Project Description, Item III (A)

The provided plot plan is noted. Please provide a more legible plot plan and indicate the location of the proposed MRI structure on the site.

#### Response:

Enclosed please find another plot plan for the ETMG site. The difficulty with legibility is that it was condensed to 8" by 11" from a much larger plan.

#### 8. Section C, Need Item I

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

Please indicate when the applicant plans to achieve the minimum standard of 2,880 MRI procedures per year for the proposed relocated 3.0 Tesla MRI according to the State Health Plan, Certificate of Need Standards and Criteria for Magnetic Resonance Imaging Services.

#### Response:

The State of TN Health Plan's Five Principles for Achieving Better Health include:

(1) Healthy Lives improving physical activity, reducing obesity, reducing tobacco use, improving mental health and environmental quality and assuring children are immunized. It is difficult to directly relate the continued service of an MRI with these initiatives. However, as indicated we are a Bariatric Center of Excellence and have a

Weight Management program that provides alternatives to surgery and have sponsored a Community Health Initiative since 1995 that has addressed all of the Healthy Lives issues. Our providers address these patient related issues on a daily basis and MRI services can aid in the diagnosis of these health related problems. We serve all payer groups, including the provision of charity care. Blount County, our primary service area, ranks 4th in the State in terms of the 'healthiest' according to "County Health Rankings and Roadmaps" as prepared by the University of Wisconsin Research.

- (2) Access to Care As indicated we provide services to all payer groups including charity are provisions.
- (3) Economic Efficiencies Our proposed project would create greater efficiencies by combining diagnostic services to one primary location. Tennessee's health care spending is likely higher than other State's due to its health ranking and its `health' rankings are primarily due to life style choices.
- (4) Quality of Care Blount Memorial Hospital actively engages in continuous quality improvement efforts. We are Joint Commission accredited, including Joint Commission accreditation for Stroke, we have the distinction of being the only hospital in East TN to be ranked in the top 5% of the nation for clinical performance and are the second year recipient of the Distinguished Hospital for Clinical Excellence from Healthgrades, including Healthgrade top awards in Coronary Intervention, GI procedures, General Surgery, and Pulmonary Care.
- (5) Health Care Workforce Again, it's difficult to say how this project directly affects the provision of a qualified workforce. However, we do work with area schools to provide a learning environment for RN's, medical school students, pharmacy residents, LPN's, Radiological staff and other staff as needed.

As indicated in the projected income statements, we expect the outpatient MRI volume to approximate 2,594 at the proposed ETMG site by Year Two. At this growth rate, plus with our ability to treat patients that we refer out we would expect to achieve the minimum standard of 2,880 volume sometime in year four of operation at the ETMG site.

#### 9. Section C, Need item 4.A

Your response to this item is noted. Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area.

Response: Refer to the Chart below for the data requested.

Variable Current 65+ 2010	Blount 18,776	<u>Loudon</u> 9,733	McMinn 8,377	<u>Monroe</u> 7,120	<u>Sevier</u> 18,690
Projected 65 + 201	5 22,024	11,783	9,429	8,477	16,015
Age 65 % change	+ 17.3%	+21.1%	+12.6% +	-19.1%	-14.3%
Tot. Current pop.	123,692	46,504	53,914	46,499	86,655

Proj. tot. pop. 2015	130,143	48,679	56,094	49,328	92,702
Tot. pop. Change	+5.2%	+4.7%	+4.0%	+6.1%	+7.0%
TennCare pop. 2012	2 18,529	6,994	10,314	9,727	15,447
TennC % or pop.	15.0%	15.0%	19.1%	20.9%	17.8%
Med. Household Inc	s. \$47,298	8\$50,548	\$38,604	\$35,096	\$42569
Pop. % below Pover	ty 12.3%	5 14.0%	18.3%	20.9%	13.5%

Sources: TN Department of Health, TennCare Bureau, US Census Bureau. Note: US Census data (Median Household Income & Population % below Poverty Level) is 2011 data. Also, I could not locate Median Age by County.

#### 10. Section C, Need, Item 6 MRI

Please provide an estimate of referrals by specialty to the applicant's MRI service during the first year of operation:

#### **Response:**

Based on historical patterns, we expect the referrals to our MRI service by specialty to approximate the following during the first year:

Physician Specialty	MRI Referrals
Family Practice	899
Internal Medicine	545
Orthopedics	265
General Surgery	6
Neurology	487
Oncology	29
ENT	86
Rheumatology	53
NeuroSurgeon	29
Other	<u>144</u>
Total MRI Volume	2543

11. Section C, Economic feasibility, Item 3 Please recheck the cost per square foot in the amount of \$899.00 and submit a replacement page if necessary.

Please compare this project's cost per square foot to cost per square foot ranges of previously approved projects found in the "Applicant's Toolbox" on the HSDA website (<u>www.tn.gov/hsda</u>) or provide specific examples supporting the reasonableness of proposed project costs.

#### Response:

You are correct as I have calculated the cost per square foot incorrectly. The expected construction cost is \$347,000, Architectural/Engineering fees of \$32,000 and contingency fund of \$35,000 for a total construction related cost of \$414,000. Based on square footage of 883 sq. ft, the cost per square foot is \$469.

In referencing the HSDA "Applicant's Toolbox", there is no comparative cost per square foot data for Outpatient Diagnostic Centers due to insufficient information. If we compare it to the "Hospital" data in the Toolbox, the comparative data is as follows:

Price per square footage, Hospital related data:

<u>2011</u>				
1St Quartile	Median	3rd Quartile		
\$126	\$178	\$274		

While the square footage of the area to be renovated for the MRI is small, there is much involved. An external wall must be removed to insert the MRI, and the walls have to be lined with copper shielding.

12. Section C, Economic Feasibility, Item 4 (Historical Data chart and Projected Data Chart) The historical data chart provided on page 21 a is noted. Please clarify if this historical data chart is for the MRI located at Sunnybrook. If so, please resubmit the Historical Data Chart with the revised HSDA projected data chart that includes management fees. A sample historical data chart is enclosed.

Please provide a Historical Data Chart for Blount Memorial Hospital that includes management fees. Please use the above mentioned historical data chart.

Please clarify the reason there are not funds allocated in Year One in the Projected Data Chart for the MRI service contract.

Please provide a Projected Data Chart that includes management fees. A revised Projected Data Chart is included as an attachment

#### Response:

The Historic Data Chart is for the MRI located at Springbrook location. We do not contract for the service and have no management fees to report. We do have managers that oversee the service, but they also oversee many other diagnostic services and are not dedicated to MRI.

We have included the Hospital's audited financial statements which include all expenses for every service including administrative. We do not contract for management services those in operational positions are employed.

In year one of the replacement MRI, there are no service contract fees as the MRI will be under warranty.

8:32 am

Again, we have no contract management fees. The managers that oversee the MRI also oversee many other diagnostic services.

13. Section C, Economic Feasibility, Item 6.B

Please compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) codes (s).

Please provide a comparison of the applicant facility's proposed charges to the range of charges generated from the HSDA Equipment Registry found in the "Applicant's Toolbox" on the HSDA website (www.tn.gov/hsda).

#### Response:

The current charges by CPT codes for MRI related procedures are enclosed. The proposed MRI charges in comparison to the "Applicant's Tool Box" is as follows:

BMH Proposed Average	Year 1	Year 2
MRI	\$3,020	\$3,135

Applicant's Toolbox MRI Rates	<sup>1st</sup> Quartile	Median	3rd Quartile
2011 MRI Average Charge	\$1,613	\$2,095	\$3,163

14. Section C., Economic Feasibility, Item 8 The projected income figures of \$1,289,009 and \$984,840 do not match the projected data chart. Please clarify.

#### Response:

You are correct; the figures stated in this item under the narrative for Net Income do not match the Projected Data Chart and are incorrect. The correct figures *are* reflected in the Projected Data Chart and the narrative response under Section C., Economic Feasibility, Item 8 should indicate Net Income of \$1,193,833 for Year One and \$903,965 in Year Two.

15. Section C., Economic Feasibility, Item 9
Please report the estimated dollar amount of revenue anticipated from each of TennCare/Medicaid and Medicare.

#### Response:

Of the net revenue collected in the projected years, we estimate the TennCare and Medicare/Medicare Advantage amounts in Year One and Year Two to be as follows:

Payer	Year One Net Revenue	Year Two Net Revenue
TennCare	\$147,376	\$ 146,248
Medicare/Advantage	\$548,583	\$ 553,014

16. Section C, Orderly Development, Item 7 (a)

Please verify that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Substance Abuse Services, the Department of Intellectual and Developmental Disabilities, and/or any applicable Medicare requirements.

#### Response:

Blount Memorial meets licensure requirements of the Department of Health, the Department of Mental health and Substance Abuse Services, the Department of Intellectual and Developmental Disabilities, and/or applicable Medicare requirements.

17. Section C. Orderly Development, Item 8 (c) Please provide a copy of the latest Joint Commission survey.

#### Response:

Enclosed is a copy of the latest Joint Commission Survey.

18. Section C. Orderly Development, Item 9 and 10 Please respond to questions 9 and 10. These questions are applicable to all applicants

#### Response:

Our response to Items 9 & 10 are as follows:

(9) Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

#### Answer:

There isn't any person who would have ownership of the project. The replacement MRI is owned and operated by Blount Memorial Hospital only. We do background checks on all prospective employees and would not employ someone who has civil or criminal judgments for fraud or theft.

(10) If the proposal is approved, please discuss whether the applicant will provide the Tennessee health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

#### Answer:

Please note that we did respond to this question and as indicated, and we intend to continue to provide the State with all data requests as we have in the past, including data specific to MRI procedures.

19. Section C. Orderly Development, Item 11

Please submit the 2012 utilization by payor source by

Please submit the 2012 utilization by payor source, by county and updated equipment registration for Blount Memorial Hospital at Springbrook to Alecia Craighead, Statistical

Analyst, Health Services and Development Agency. Please also submit the 2012 utilization by payor source, by county for Blount Memorial Hospital to Alecia Craighead, Statistical Analyst, Health Services and Development Agency.

#### Response:

Please know that we have already submitted the 2012 MRI data for both MRI sites (the Hospital and Springbrook) to Ms. Alecia Craighead, Statistical Analyst, Health Services and Development Agency.

Once you have had an opportunity to review my responses, please don't hesitate to contact me at 865-981-2310 for additional questions or clarification.

Sincerely,

Jane 1

Assistant Administrator

Enc.

# SUPPLEMENTAL-#2

May 30, 2013 8:32 am

## APPENDIX III (7) b

# JOINT COMMISSION ACCREDITATION AND HOSPITAL LICENSE



January 23, 2013

Re: # 7865 CCN: #440011

Program: Hospital

Accreditation Expiration Date: October 27, 2015

I. D. Heinemann Administrator Blount Memorial Hospital, Inc. 907 East Lamar Alexander Parkway Maryville, Tennessee 37804-5016

Dear Mr. Heinemann:

This letter confirms that your October 22, 2012 - October 26, 2012 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on December 07, 2012 and January 11, 2013, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of October 27, 2012. We congratulate you on your effective resolution of these deficiencies.

§482.13 Condition of Participation: Patient's Rights

§482.41 Condition of Participation: Physical Environment

§482.51 Condition of Participation: Surgical Services

The Joint Commission is also recommending your organization for continued Medicare certification effective October 27, 2012. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following locations:

Blount Memorial Hospital Counseling and CONCERN 262 Cherokee Professional Park, Maryville, TN, 37804

Blount Memorial Hospital Total Rehabilitation at Alcoa 264 Joule Street, Alcoa, TN, 37701

Blount Memorial Hospital, Inc. 907 East Lamar Alexander Parkway, Maryville, TN, 37804-5016

www.jointcommission.org

Headquarters

One Renaissance Boulevard Oakbrook Terrace, IL 60181 630 792 5000 Voice



Blount Memorial Sleep Health Center 710 Morganton Square, Maryville, TN, 37801

Blount Memorial Total Rehabilitation at Cherokee 1410 Sevierville Road, Maryville, TN, 37804

Blount Memorial Total Rehabilitation at Maryville 829 East Lamar Alexander Parkway, Maryville, TN, 37804

Business Health/Diagnostic Center/Outpatient Rehab 220 Associates Blvd, Alcoa, TN, 37701

Business Health/Outpatient Rehab 110 Deer Crossing, Vonore, TN, 37885

East Tennessee Medical Group 266 Joule Street, Alcoa, TN, 37701

Transitional Care Center at Morning View Village 2320 E. Lamar Alexander Parkway, Maryville, TN, 37804

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

Mark G. Pelletier, RN, MS Chief Operating Officer

Nark Pelletin

Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services

CMS/Regional Office 4 /Survey and Certification Staff

**SUPPLEMENTAL-#2** 

May 30, 2013 8:32 am

January 23, 2013

I. D. Heinemann, BS, MS, FACHE Administrator Blount Memorial Hospital, Inc. 907 East Lamar Alexander Parkway Maryville, TN 37804-5016 Joint Commission ID #: 7865 Program: Hospital Accreditation Accreditation Activity: 60-day Evidence of Standards Compliance

Accreditation Activity Completed: 01/11/2013

#### Dear Mr. Heinemann:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

#### . Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning October 27, 2012. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Please visit <u>Ouality Check®</u> on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Mark G.Pelletier, RN, MS

Chief Operating Officer

Division of Accreditation and Certification Operations

Confirmation from
Ms. Alecia Craighead, Statistical Analyst
Indicating that Blount Memorial's
Medical Data Submission is Complete

May 30, 2013

8:32 am

Ted .

Mashburn/BlountMemorialHos

pital

05/28/2013 01:35 PM

To Jane T.

Nelson/BlountMemorialHospital@BlountMemorialHospital

CC

bcc

Subject Fw: Confirmation Final

#### FYI

Ted Mashburn, RTR
Administrative Director of Radiology Services
Blount Memorial Hospital
865-977-5566
Fax 865-977-5662

----- Forwarded by Ted . Mashburn/BlountMemorialHospital on 05/28/2013 01:35 PM -----



"Alecia L. Craighead" <Alecia.L.Craighead@tn.gov

05/24/2013 10:23 AM

To "TMashbur@bmnet.com" <TMashbur@bmnet.com>

cc "kmmcdani@bmnet.com" <kmmcdani@bmnet.com>

Subject Confirmation Final

#### Ted,

I have received the utilization by payor source and utilization by county for Blount Memorial Hospital and Blount Memorial Springbrook Diagnostic Center. I have also received the updated registration for Blount Memorial Springbrook Diagnostic Center. With these submissions and the previously submitted Blount Memorial Hospital registration, you have now completed this year's update.

Congratulations! You have survived another wacko year of updates.

Thank you so very much for all of your help with these.

I hope you have a great rest of 2013.

Thanks again.

#### Alecia

Alecia L. Craighead Statistical Analyst Health Services and Development Agency 161 Rosa L. Parks Blvd. Nashville, TN 37243 Office: 615.253.2782

Fax: 615.741.9884

alecia.l.craighead@tn.gov

94

**SUPPLEMENTAL-#2** 

May 30, 2013 8:32 am

**Notarized Affidavits** 

## **AFFIDAVIT**

2013 MAY 30 AM 8 37

STATE OF TENNESSEE				
COUNTY OF Blount				
NAME OF FACILITY: Blount Memorial Hospital				
I, Jane T.H. Nelson, after first being duly sworn, state under oath that I am				
the applicant named in this Certificate of Need application or the lawful agent thereof,				
that I have reviewed all of the supplemental information submitted herewith, and that it				
is true, accurate, and complete.				
Continuology Accident				
Signature Autre Administrator				
21780				
33887 ON 3				
TENNOZI E				
THOU WE OF THE				
Sworn to and subscribed before me, a Notary Public, this the warming of May, 2013,				
witness my hand at office in the County of Blant, State of Tennessee.				
Susant. M. Gruno				
NOTARY PUBLIC				
My commission expires $9-35-16$ ,				

HF-0043

Revised 7/02

# **AFFIDAVIT**

STATE OF TENNESSEE
COUNTY OF Blount
NAME OF FACILITY: Blount Memorial Hospital
I, <u>Nelson</u> , after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof,
that I have reviewed all of the supplemental information submitted herewith, and that it
is true, accurate, and complete.
Sworn to and subscribed before me, a Notary Public, this the warm day of May, 2013, witness my hand at office in the County of Blant, State of Tennessee.
witness my hand at office in the County of <u>Slawt</u> , State of Tennessee.
Susant. M. Bruce NOTARY PUBLIC
My commission expires <u>9-25-16</u>

HF-0043

Revised 7/02



# LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY: 16

The Publication of Intent is to be published	d in the	pally Times		which is a new	vspaper
of general circulation in Blount County (County)		(Name of Newspape , Tennessee, o	n or before Ma	ay 3, (Month / day)	, 2013 (Year)
for one day.					
~,==~~===	~~~~				******
This is to provide official notice to the Haccordance with T.C.A. § 68-11-1601 et	lealth Services seq., and the	and Developm Rules of the H	nent Agency a ealth Services	nd all interested and Developme	l parties, in ent Agency,
Blount Memorial Hospital, Incorporat	ted	250	Hospital		
(Name of Applicant)			(Facility Type-E	- Tarakan Salahan	
owned by: Blount Memorial Hospital, I	ncorporated <sub>v</sub>	vith an ownersl	nip type of no-	for-profit corpor	ation
and to be managed by: Blount Memoria	l Hospital			for a Certificate	
for [PROJECT DESCRIPTION BEGINS HERE]:					
Blount Memorial Hospital is seeking approval to upgrade its exist Associates Blvd., Alcoa, TN to Blount Memorial's East TN Medic existing MRI will be replaced with a 3-T system that provides the table weight capability from 350 pounds to 500 pounds. Moving combining it with other diagnostic equipment located at the site. renovation at the Blount Memorial East TN Medical Group site to	al Group site located at 2 latest technology availal the MRI to Blount Memo The total cost of the proj	266 Joule Street, Alcoa, ble, and provides an inc rial's East TN Medical C lect including removal o	TN, 37701, which is 1. crease in the bore size to Group location we achie f the existing MRI, the	6 miles from its existing s from 60 cm to 70 cm and eve greater efficiency in o purchase price of the nev	ite. The increases the peration by
The anticipated date of filing the application	on is: Wednes	sday, May 8	20 13		
The contact person for this project is Jar	ne Nelson			Assistant Adm	inistrator
	(Con	tact Name)		(Title)	
who may be reached at: Blount Memor	rial Hospital	907		lexander Park	way
(Company			(Address)		
Maryville (City)	TN (State)	37804 (Zip Co		65-981-2310 (Area Code / Phone I	Number)
(Signature)		April 30, 20 <sup>-</sup>	JNe	elson@bmnet. (E-mail Address)	com
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The Letter of Intent must be <u>filed in triplicate</u> and <u>received between the first and the tenth</u> day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency The Frost Building, Third Floor 161 Rosa L. Parks Boulevard Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

# CERTIFICATE OF NEED REVIEWED BY THE DEPARTMENT OF HEALTH DIVISION OF POLICY, PLANNING AND ASSESSMENT OFFICE OF HEALTH STATISTICS

615-741-1954

DATE:

July 31, 2013

APPLICANT:

**Blount County Memorial Hospital** 

266 Joule Street

Alcoa, Tennessee 37701

CON#:

CN1305-015

Jane Nelson

**Blount Memorial Hospital** 

907 E. Lamar Alexander Parkway Maryville, Tennessee 37804

COST:

\$2,214,216

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2012 Edition*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

#### **SUMMARY:**

The applicant, Blount Memorial Hospital, is seeking Certificate of Need (CON) approval from the Health Systems and Development Agency (HSDA) to upgrade an existing MRI that serves outpatients at the Springbrook Health Center, owned by Baptist Memorial Hospital to a 3T system. The replacement 3T unit utilizes the latest imaging technology, provides an increase in the units bore size from 60cm to 70 cm and increases the table weight capacity from 350 lbs. to 500lbs.

The CON application also includes the relocation of Blount Memorial Hospital's outpatient MRI imaging services sited at Springbrook Health Center, 220 Associates Boulevard in Alcoa, Tennessee to an existing facility, Blount Memorial's East Tennessee Medical Group located at 266 Joule Street also in Alcoa, Tennessee. The proposed site is 1.6 miles from the current site. As noted in the Letter of Intent dated April 30, 2013, the project will involve the removal of the existing MRI unit, acquisition of the replacement MRI, installation of the new MRI unit and attendant renovations at Blount Memorial's East Tennessee Medical Group.

#### GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2012 Edition*.

#### NEED:

The primary service area is Blount County. The population of Blount County in 2013 is 126,809 and in 2017 will be 133,389.

Note to Agency Members: The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics have finalized the population projections for 2010 to 2020 based upon the 2010 U.S. Census. All population projections set forth in the Tennessee State Health Plan utilized in the Certificate of Need process will be based upon this latest population series. The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of

**Projected Data Chart:** The Projected Data Chart can be found on page 9 of Supplemental 2. The applicant projects it will perform 2,543 scans in year one of the project and 2,594 of year two of the project.

The applicant estimates an average gross charge of \$3,020 in year one of the project and \$3,135 in year two of the project. The average deduction will be \$2,550.54 in year one and will be \$2,786.52 in year two, resulting in an average net revenue per procedure of \$469.46 and \$348.48 in each respective year. Therefore, while the number of procedures projected by the applicant only increased 2% from year one to year two of the project the gross revenue increased 6% over the same period and generated \$452,330 in additional gross revenue from year one to year two of the project. However, as the applicant demonstrates, net operating revenue less capital expenditures actually went from \$1,193,833 to \$903,965 a decline of \$289,868 or 24%. The applicant documents its average charge in 2011 was \$2,370 which was below the average charge for five (5) of the adjacent hospital MRI providers at \$2,691. The range was from \$1,882 to \$3,316 as noted on page 23R of Supplemental 1. The average charge projected by the applicant in the second year of the project will reflect an increase of \$765 or 32% over the charge booked in 2011.

When one compares the historical trend lines at Springbrook using a 1.5T MRI during the previous three years (2010-2012) net operating income less capital expenditures went from \$1,289,308 in 2010, to \$1,475,266 in 2011 and \$1,456,751 in 2012. This represents an increase of 12.9% over the three year period. The applicant did not address when, or if, the project will produce net operating revenues less capital expenditures exceeding those experienced during the 2010-2012 time frame.

Note to Agency Members: The anticipated gross and net operating revenue generated by this project is inextricably tied to its case mix and the number of procedures they can generate from client referrals that they do not currently receive because they do not have the technology represented by the proposed 3.0T MRI unit. The applicant did not estimate the number of clients it had referred to other 3.0T MRI units because the existing 1.5T MRI unit lacked the ability to provide sufficient detail. The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics recommends that the applicant clarify the impact the new 3.0T MRI unit would have upon this potential patient cohort in order to better assess case mix and service levels.

Also critical to these financial considerations is being able to provide enhanced MRI services to potential clients that are obese (over 350 lbs. up to 500 lbs.) and/or potential clients that are claustrophobic. They speculated that they turn away about 15 potential clients a month due to these two factors. This would represent 180 clients a year. The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics determined the caseload/procedures are projected to increase by 50 in the first year of the project and by another 51 in the second year of the project. This would represent 78% of the obese and claustrophobic cohort if the increase in the number of procedures is limited to the obese and/or claustrophobic patient cohorts

Blount Memorial Hospital expects \$147,376 of the project's net revenue will be from Medicaid/TennCare and \$548,583 of the project's net revenue will be from Medicare/Medicare Advantage in year one of the project. The anticipated net revenue in the second year of the project will be \$146,248 from Medicaid/TennCare and will be \$553,014 from Medicare/Medicare Advantage. The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics determined TennCare/Medicaid represents 12% of the net revenue less capital expenditures in year one of the project and 16% in year two. Medicare/Medicare Advantage, on the other hand, represents 46% of the net revenue less capital expenditures in year one of the project and fully 61% in year two. However, in real terms, this represents only an increase of \$4,431 or 1% in the second year of the project.

#### CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant, Blount Memorial Hospital, is licensed by the Tennessee Department of Health, Board for Licensing Health Care Facilities (license number 000000004) with an expiration date of April 15, 2014. No deficiencies were cited by the Tennessee Department of Health, Division of Health Licensure and Regulation-East Tennessee Regional Office during its survey conducted on June 13, 2006.

The applicant is accredited by the Joint Commission for the Accreditation of Healthcare Organizations according to the Tennessee Department of Health, Division of Health, Licensure and Regulation-Office of Health Care Facilities with an expiration date of December 31, 2015. The applicant provided a copy of the Accreditation certificate and the Letter of Transmittal. The Joint Commission noted in its letter to Blount Memorial Hospital on January 23, 2013 that the hospital had resolved the deficiencies regarding the Conditions for Participation for Medicare, specifically as follows: 42 CFR 482.13 Patient's Rights, 482.41 Physical Environment and 482.51 Surgical Services.

Blount Memorial Hospital reports it has contractual and/or working relationships with 21 different agencies, managed care organizations, networks and other health care providers. A list of these entities can be found on page 25 in Section III (1) of the CON application.

The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics were not able to determine the potential impact of this project upon the cohort of cases that were referred to other facilities to be imaged on a more advanced MRI such as a 3.0T MRI unit. The staff also determined, based upon the applicant's initial estimate that up to at least 180 obese and/or claustrophobic cases would be scanned using the new 3.0T MRI unit. These cases had been referred to other providers that could accommodate these types of cases. The impact upon those providers was not addressed definitively by Blount Memorial Hospital in this application.

The staff available for this project is already in place and no new staff is proposed by the applicant as noted on page 26 of the CON application. The current and projected staffing pattern can be found also on page 26 of the CON application along with an analysis of the comparative salaries based on data supplied by the Tennessee Society of Healthcare Human Resource Association. This cannot be verified for accuracy by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics.

#### SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2012 Edition.* 

The Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics will provide responses to Specific Criteria for Certificate of Need that address utilization, need, bed data and other information maintained by the Department of Health. The narrative responses of the applicant will not be repeated but can be found in the Certificate of Need Application and such Supplemental material as provided by the applicant to the Health Services and Development Agency.

# CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

The applicant is replacing an existing 1.5T MRI unit with a new 3.0T MRI unit. The upgrade does not require a Certificate of Need.

- 2. For relocation or replacement of an existing licensed health care institution:
  - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The existing site of the 1.5T MRI at the Springbrook Medical Center will not be closed. It will continue to provide outpatient rehabilitation services, an occupational medicine clinic, a family practice clinic, a pediatric practice and a wellness facility. X-ray capability will likely remain at that site, as the applicant states in response to question 3 of Supplemental 2.

The project will involve the replacement of the existing 1.5T MRI unit with a 3.0T MRI unit. The current MRI unit will remain operational at the Springbrook Medical Center until the 3.0T MRI unit has been installed at the East Tennessee Medical Group site 1.6 miles away from the existing site. The only renovation at the East Tennessee Medical Group site is the renovation of the 883 square foot space for the MRI unit. The cost for the renovation of this space is \$347,000, as noted by the applicant in response to Question 11, Section C, Economic Feasibility, Item 3 of Supplemental 2 (Note; no page number was given by the applicant).

The applicant maintains the project will enhance the efficiency of the MRI services that Blount Memorial Hospital provides by improving the imaging capabilities using a new 3.0T MRI, increasing the bore of the new MRI from 60 cm to 70 cm and increasing the load capacity from 350 lbs. to 500 lbs. The project, as noted on page 24R in Supplemental 1, will enable the facility to reduce its expenditures for its MRI imaging program by \$375,421 in year one of the project and by \$212,450 in the second year of the project.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The expected MRI utilization in year one will be 2,543 procedures and in year two will be 2,593 procedures.

- 3. For renovation or expansions of an existing licensed health care institution:
  - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
  - b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.